

# SECURITIES AND STOCK EXCHANGE BOARD

00-950 WARSZAWA PLAC POWSTANCÓW WARSZAWY 1

## Annual report SA-R 1998

(according to the § 46 section 1 point 4 of the Cabinets Decree as at 22 December 1998 - Dz.U. Nr 163, poz. 1160)

(for the issuer of securities providing production, building, trade or service business)

For the year comprising the period from: **1.01.1998** to **31.12.1998**

date: 6 May 1999

<b>AGORA Spółka Akcyjna</b>		
(full name of the issuer)		
<b>AGORA SA</b>	<b>INNE</b>	
(short name of the issuer)	(proper classification)	
<b>00-732</b>	<b>WARSZAWA</b>	
(postal code)	(locality)	
	<b>Czerska</b>	<b>8/10</b>
	(street name)	(street numer)
<b>(0-22) 840-09-11</b>	<b>(0-22) 840-00-67</b>	
(telephone number)	(fax number)	(e-mail)
<b>526-03-05-644</b>	<b>11559486</b>	
(NIP)	(REGON)	

**KPMG Polska Audyt Sp. z o.o.**

date: 6 May 1999

(Enterprise entitled to performe audit)

(date of issue)

### Consolidated annual report contains:

- Consolidated financial statements
- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Introduction                               | <input checked="" type="checkbox"/> Schedule of changes in the consolidated equity                               |
| <input checked="" type="checkbox"/> Consolidated balance                       | <input checked="" type="checkbox"/> Consolidated cash flow Skonsolidowany rachunek przepływu środków pieniężnych |
| <input checked="" type="checkbox"/> Consolidated trade and profit and loss acc | <input checked="" type="checkbox"/> Notes  |

### Appendix

- Appendix 1 - the opinion and the report of the entitled entity to performe audit report
- Appendix 2 - President letter
- Appendix 3 - notes of the Board of Directors (report on the capital group activities)
- Appendix 4 - simple version of the financial statements of the entities switched off from the duty of being included in the consolidation

SELECTED FINANCIAL DATA'S (Current year)	thousand PLN	thousand EURO
I. Net revenue from the sale of finished goods, merchandise and raw mater	550 854	139 938
II. Profit (loss) on operational activities	118 459	30 093
III. Profit before taxation	104 694	26 596
IV. Net profit (loss)	62 415	15 856
V. Assets (as at 31.12.1998)	523 669	127 958
VI. Total liabilities (as at 31.12.1998)	234 405	57 277
- short-term liabilities	171 276	41 851
VII. Equity (as at 31.12.1998)	271 501	66 341
VIII. Share capital ( as at 31.12.1998)	44 141	10 786
IX. Number of shares (as at 31.12.1998)	44 140 500	
X. Book value per share (PLN/EURO) (as at 31.12.1998)	6,15	1,51
XI. Net profit per ordinary share (PLN/EURO)	1,41	0,36
XII. Declared dividend per regular share (PLN/EURO)	0,00	0,00

Annual report should be passed on to the Board of Securities and Stock Exchange,  
Stock Exchange of Securities in Warsaw S.A. and Polish Press Agency according to law

## Introduction (unconsolidated)

Main activity of the company is newspapers and periodicals edition - EKD 2212 and advertising services EKD 7440 (press advertisements)

Presented financial statements contains data for the financial year ending 31 December 1998 and comparable financial data for the year ending 31 December 1997.

The financial statement for the year ending 31 December 1997 has been converted in order to provide comparability of disclosure of revenue on sales of securities. Details are presented in additional supplementary notes 16 and 17.

No qualifications were made by the entities entitled to audit the financial statements for years preceding the financial year ending 31 December 1998.

The company does not have internal entities preparing individual financial statements.

## **SIGNIFICANT ACCOUNTING POLICIES, METHODS OF ASSETS AND LIABILITIES VALUATION AND CALCULATION OF FINANCIAL INCOME**

The financial statements have been prepared in accordance with the accounting principles and practices employed by enterprises in Poland as is required by the Accounting Act of 29 September 1994.

### **1. Intangible fixed assets**

Intangible fixed assets are valued at acquisition price or at development cost and are amortised using the straight line method over the following periods:

Computer software	2-3 years
Perpetual usufruct	10 years
Licences, patents and trademarks	5 years
Goodwill	5 years
Other	5 years

### **2. Tangible fixed assets**

Tangible fixed assets are recorded at acquisition price or at the cost of production, reconstruction or improvement. Tangible fixed assets are subject to periodical statutory revaluation in accordance with the regulations of the Ministry of Finance. The most recent revaluation was carried out on 1 January 1995.

Tangible fixed assets are depreciated using the straight-line or average declining balance methods over their estimated useful lives. Depreciation commences from the month following the month in which a fixed asset was acquired or transferred from construction in progress. Tangible fixed assets of value lower than PLN 2,500 are fully depreciated in the month following the month in which a fixed asset was acquired or transferred from construction in progress.

The principle depreciation rates used are as follows:

Buildings and constructions	2,5-10,0%
Plant and machinery	5,0-60,0%
Vehicles	14,0-20,0%
Other	10,0- 25,0%

Expenditure on repairs or maintenance of tangible fixed assets which do not improve or extend the useful life of the asset are expensed as incurred; significant improvements are capitalised.

Values added after the statutory revaluation were transferred to revaluation reserve (last statutory revaluation took place on 1 January 1995)

### **3. Assets under construction**

Assets under construction are valued at either the acquisition price or the production cost of the tangible or intangible fixed assets which will be brought into use on completion.

#### **4. Investments**

Investments classified as current assets are carried at the lower of cost and net realisable value.

Investments classified as long-term assets are carried at the lower of cost and net realisable value, less amounts provided for to recognise other than temporary declines in the value of the investment.

#### **5. Inventory**

Inventory is valued at the lower of cost or standard cost of production which approximates actual cost and net realisable value:

Cost is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory is stated in the balance sheet net of provisions made for slow-moving or obsolete stock.

#### **6. Debtors, claims and creditors**

Debtors, claims and creditors denominated in Polish zloty are recorded at nominal value.

Debtors, claims and creditors denominated in foreign currencies are translated to Polish zloty at the average NBP exchange rate at the transaction date unless customs documents (SAD) indicate a different rate. Foreign currency balances are restated at the balance sheet date at the average NBP exchange rate for the respective foreign currency.

The collectibility of debtors balances are assessed at the balance sheet date with provision made for specifically identified and estimated doubtful accounts.

#### **7. Short-term securities**

Short-term securities are carried at the lower of cost and net realisable value.

#### **8. Cash**

Cash denominated in Polish zloty is stated at nominal value.

Cash denominated in foreign currencies is translated to Polish zloty using the average NBP exchange rate for the respective foreign currency at the balance sheet date. Exchange differences are disclosed as financial revenue or costs.

#### **9. Inter-period settlements of costs and deferred income**

Inter-period settlements represent prepaid costs concerning future reporting periods. Accruals consist of possible costs of a current period, that an amount or date of the liability are unknown at the year end. Deferred income represent payments received in connection with the future services and positive foreign exchange differences from valuation of assets and liabilities other than cash, shares and securities.

#### **10. Equity**

Share capital is disclosed in nominal value of registered shares, resulting from the company's statute and commercial register. As at 31 December 1998 share capital was PLN 44,140.5 thousand and represented 44,140,500 shares of nominal value of PLN 1 each.

Reserve capital has been created by transfers from net income, reduction of share capital with no payments and reduction of revaluation reserve connected with sale or liquidation of revalued fixed assets. The creation of reserves are in accordance with the company's statute.

## **11. Provisions**

Provisions represent provisions for doubtful debtors that reduce balance of debtors. They also represent a provision for temporary difference relating to corporate income tax, caused by time difference between revenue or costs according to the accounting act and tax regulations. Positive difference is disclosed as an obligatory charge on the net income, i.e. as a provision for a corporate income tax. Negative difference is disclosed as a prepaid expense if there is a possibility of its settlement within the next financial year and the following financial years. For calculation of positive or negative difference state of settlements as at the yearend are taken into consideration.

## **12. Bank credits and loans**

Bank credits and loans denominated in Polish zloty are carried at their principal amount. Bank credits and loans denominated in foreign currencies are carried at their principal amount translated to Polish zloty at the average NBP exchange rate for the respective foreign currency at the balance sheet date.

## **13. Revenues and expenses**

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products or services to third parties. Revenues are recognised when the conditions of sale have been met and no significant uncertainties remain regarding the acceptance of the goods and/or services. Sales revenues are stated net of value added tax (VAT).

The Company records expenses by type of expenditure/by function and prepares its profit and loss statement in the same manner.

## **14. Other operating revenue and expenses**

Other operating revenue and expenses are connected with the company's operation and have influence on the income from operating activity. They represent: revenue from the sale of fixed assets, value of resolved provisions for doubtful debts and economy risk except for provisions connected with financial risk, fines and compensations received and fixed assets received as a contribution. Other operating costs represent: value of fixed assets sold, provisions created for doubtful debts and economy risk except for provisions connected with financial risk, fines and compensations paid, contributions made and adjustments of stocks value.

## **15. Financial revenue and expenses**

Financial revenue and expenses represent interests resulting from bank credits and loans given and received, foreign exchange differences, commissions, revenue and expenses connected with ownership of shares and other securities including value of created and resolved provisions connected with financial risk.

## **16. Foreign exchange differences**

Foreign exchange differences arising from the balance sheet date restatement of cash, investments and securities are recorded as follows:

- gains - financial income,
- losses - financial expenses.

The excess of foreign exchange losses over gains resulting from the balance sheet date restatement of assets and liabilities (other than cash, investments and securities) denominated in a specific currency is included in financial expenses. An excess of foreign exchange gains over losses for a particular currency is included in deferred income.

## **17. Extraordinary gains and losses**

Extraordinary gains and losses result from unrepeatable events that are not connected with regular company's operation.

## **18. Motivation plan for the company's employees**

In April 1998 the company introduced an incentive plan (Plan) for employees on management positions in the company and the subsidiaries. Employees included in the plan might be rewarded depending on stage of realisation of targets specified in the plan. The rewards will be paid in cash and shares. The company has created a provision for costs resulting from the plan. The amount of the provision has been calculated as an estimated amount of rewards based on realisation of planned targets.

**19. Obligatory charges**

An obligatory charge is corporate income tax. The corporate income tax in 1998 amounts to 36% of gross income calculated on base of the accounting regulations and adjusted for non taxable revenue and non tax deductible expenses, as specified in the tax regulations.

**20. Investment relief**

The amount of investment tax relief which is an acceleration of depreciation of tangible fixed assets reduce profit/loss before taxation for calculation of the tax base. The company creates provisions for corporate income tax connected with the investment relief.

**21. Capital restructuring**

In 1998 the company restructured its capital as follows:

a ) In January 1998 The Company was merged with Agora-Druk Sp. z o.o., AC Radio Sp. z o.o. oraz AC Telewizja Sp. z o.o. Share capital of the company was reduced by the write-off of 314,813 shares with a value of PLN 15,740.7 thousand and then increased to the previous value. For shares in the merged entities Agora-Holding Sp. z o.o. (previously Agora Sp. z o.o.) received 314.813 shares in the increased share capital.

b ) On 16 February 1998 the shareholders of Agora-Gazeta Sp. z o.o. (now Agora S.A.) agreed to reduce share capital by the write-off of 384,518 shares of Agora-Holding Sp. z o.o. with a value of PLN 19.234 thousand. At the same time shareholders agreed to increase share capital to the previous value by issuing 384,680 new shares, that were received by:

- Agora-Holding Sp. z o.o. (3,284 shares ) in exchange of shares of Bank Inicjatyw Społeczno-Ekonomicznych S.A. and shares of Agora-Poligrafia Sp. z o.o. as a contribution in kind,
- 98 shareholders of Agora - Holding Sp. z o.o., mostly employees of Agora-Gazeta Sp. z o.o. now Agora S.A. ( 381.396 shares) in exchange of shares of Agora-Holding Sp. z o.o. as a contribution in kind.

As a result of the exchange of shares with a value of PLN 19,234.0 thousand, as described above, share capital of the company was increased by the same value.

c ) On 27 March 1998 the shareholders of Agora-Holding Sp. z o.o. decided to write-off the shares of Agora S.A. mentioned above. Costs of the write-off of these shares with a value of PLN 19,070 was disclosed as a financial cost.

**BALANCE SHEET**

as at 31 December 1998	Note	1997 prior year	1998 current year
<b>ASSETS</b>			
<b>I. Long-term assets</b>		<b>97 865</b>	<b>381 712</b>
	1	2 704	16 458
2. Tangible fixed assets	2	91 215	213 614
3. Financial fixed assets	3	3 946	151 640
4. Long-term debtors	4	-	-
<b>II. Current assets</b>		<b>167 001</b>	<b>139 021</b>
1. Stock	5	7 565	16 029
2. Current debtors	6	51 200	68 437
3. Own shares for sale	7	-	-
4. Short-term securities	8	95 482	47 587
5. Cash and cash equivalents	9	12 754	6 968
<b>III. Prepaid expenses and other assets</b>	10	<b>2 133</b>	<b>2 936</b>
1. Deffered corporate income taxes recoverable		-	-
2. Other		2 133	2 936
<b>Total assets</b>		<b>266 999</b>	<b>523 669</b>
<b>LIABILITIES</b>			
<b>I. Equity</b>		<b>177 616</b>	<b>271 501</b>
1. Share capital	11	44 141	44 141
2. Outstanding share capital contributions (negative figure)		-	-
3. Reserve capital	12	58 222	164 032
4. Revaluation reserve		1 113	913
5. Other reserve capital	13	-	-
6. Foreign exchange rate differences on oversea branches		-	-
7. Accumulated profit/(loss) from previous years	14	-	-
8. Profit / (loss) after taxation for the financial year		74 140	62 415
<b>II. Provisions</b>		<b>3 814</b>	<b>6 876</b>
1. Provisions for corporate income taxes payable	15	3 775	6 837
2. Other	16	39	39
<b>III. Liabilities</b>		<b>80 501</b>	<b>234 405</b>
1. Long-term liabilities	17	39 401	63 129
2. Short-term liabilities	18	41 100	171 276
<b>IV. Accrued expenses and deferred income</b>	19	<b>5 068</b>	<b>10 887</b>
<b>Total equity and liabilities</b>		<b>266 999</b>	<b>523 669</b>
<b>Book value</b>		177 616	271 501
<b>Number of shares</b>		44 140 500	44 140 500
<b>Book value per share</b>		4,02	6,15
<b>Predicted number of shares</b>		44 140 500	56 757 525
<b>Diluted book value per share (in PLN)</b>		4,02	11,39

**Off balance sheet liabilities**

Off balance sheet liabilities	prior year	current year
a) total value of guarantees given	-	98 518
- to subsidiaries	-	-
- to associates	-	98 518
- to parent company	-	-
- to other entities	-	-
b) other	-	-
-	-	-
-	-	-
<b>Total off balance sheet liabilities</b>	-	<b>98 518</b>

**PROFIT AND LOSS**

For period 1 January - 31 December 1998	Note	1997 prior year	1998 current year
<b>I. Net sales of merchandise and finished products</b>		<b>416 456</b>	<b>550 854</b>
1. Net sales of finished products	20	413 599	546 918
2. Net sales of merchandise and raw materials	21	2 857	3 936
<b>II. Cost of merchandise and finished products sold</b>		<b>(217 050)</b>	<b>(285 653)</b>
1. Cost of finished products sold	22	(214 037)	(281 929)
2. Cost of merchandise and raw materials sold		(3 013)	(3 724)
<b>III. Gross profit / (loss) on sales</b>		<b>199 406</b>	<b>265 201</b>
IV. Selling expenses		(30 632)	(39 727)
V. Administrative and general expenses		(55 602)	(65 839)
<b>VI. Profit / (loss) on sales</b>		<b>113 172</b>	<b>159 635</b>
VII. Other operating revenues	23	1 435	2 342
VIII. Other operating expenses	24	(8 166)	(43 518)
<b>IX. Profit / (loss) on operating activities</b>		<b>106 441</b>	<b>118 459</b>
X. Dividend income	25	-	1
XI. Income from other financial assets	26	-	-
XII. Other financial income	27	24 068	24 167
XIII. Financial expenses	28	(6 693)	(37 964)
<b>XIV. Profit / (loss) on ordinary activities</b>		<b>123 816</b>	<b>104 663</b>
<b>XV. Extraordinary items</b>		<b>1</b>	<b>31</b>
1. Extraordinary gains	29	20	33
2. Extraordinary losses	30	( 19)	( 2)
<b>XVI. Profit / (loss) before taxation</b>		<b>123 817</b>	<b>104 694</b>
XVII. Corporate income tax	31	(49 677)	(42 279)
XVIII. Other obligatory charges	32	-	-
<b>XIX. Profit / (loss) after taxation</b>		<b>74 140</b>	<b>62 415</b>
Net profit (for 12 months)		<b>74 140</b>	<b>62 415</b>
Weighted average number of ordinary shares		44 140 500	44 140 500
Profit / (loss) per one ordinary share in PLN		<b>1,68</b>	<b>1,41</b>
<b>Weighted average anticipated number of ordinary shares</b>		44 140 500	56 757 525
<b>Diluted profit / (loss) after taxation per ordinary share in PLN</b>		<b>1,68</b>	<b>1,10</b>

## CHANGES IN EQUITY

For period 1 January - 31 December 1998	1997 prior year	1998 current year
<b>I. Equity opening balance (OB)</b>	<b>110 012</b>	<b>177 616</b>
a) changes in the accounting policy	-	-
b) corrections of fundamental errors	-	-
<b>I.a. Opening balance of equity after reconciliation to comparable data</b>	<b>110 012</b>	<b>177 616</b>
<b>1. Share capital opening balance</b>	<b>44 141</b>	<b>44 141</b>
1.1. Changes in share capital	-	-
a) additions (due to)	-	34 975
- company reorganisation	-	34 975
-	-	-
b) disposals (due to)	-	34 975
- company reorganisation	-	34 975
-	-	-
<b>1.2. Share capital closing balance</b>	<b>44 141</b>	<b>44 141</b>
<b>2. Stan należnych wpłat na poczet kapitału akcyjnego na początek okresu</b>	-	-
2.1. Outstanding share capital contribution opening balance	-	-
a) additions	-	-
b) disposals	-	-
<b>2.2. Outstanding share capital contributions as at the yearend</b>	-	-
<b>3. Reserve capital opening balance</b>	<b>24 484</b>	<b>58 222</b>
3.1. Changes in capital reserves	33 738	105 810
a) additions (due to)	33 738	109 323
- share premium	-	-
- net profit appropriation (statutory)	-	-
- net profit appropriation (over statutory minimum value)	33 610	74 140
- revaluation	128	208
- company reorganisation	-	34 975
b) disposals (due to)	-	3 513
- company reorganisation	-	3 513
-	-	-
<b>3.2. Reserve capital closing balance</b>	<b>58 222</b>	<b>164 032</b>
<b>4. Revaluation reserve opening balance</b>	<b>1 241</b>	<b>1 113</b>
4.1. Changes in revaluation reserves	( 128)	( 200)
a) additions (due to)	-	8
- due to merger of entities	-	8
b) disposals (due to)	128	208
- sale and liquidation of fixed assets	128	208
-	-	-
<b>4.2. Revaluation reserve closing balance</b>	<b>1 113</b>	<b>913</b>
<b>5. Other capital reserve opening balance</b>	-	-
5.1. Changes in rother capital reserves	-	-
a) additions (due to)	-	-
-	-	-
b) disposals (due to)	-	-
-	-	-
<b>5.2. Other capital reserve closing balance</b>	-	-
<b>6. Foreign exchange rate differences on oversea branches</b>	-	-
<b>7. Accumulated profit/(loss) from previous years</b>	<b>40 146</b>	<b>74 140</b>
<b>7.1. Accumulated profit/(loss) from previous years opening balance</b>	<b>40 146</b>	<b>74 140</b>
a) changes in the accounting policy	-	-
b) corrections of fundamental errors	-	-
<b>7.2. Opening balance of accumulated profit/(loss) from previous years after reconciliation to comparable data</b>	<b>40 146</b>	<b>74 140</b>
a) additions (due to)	-	-
- net profit appropriation	-	-
-	-	-

b) disposals (due to)	40 146	74 140
- transfer to capital reserves	33 610	74 140
- payments of dividends	6 436	-
- transfers to special funds	100	-
-		
<b>7.3. Closing balance of accumulated profit/(loss) from previous years after reconciliation to comparable data</b>	<b>0</b>	<b>0</b>
<b>7.4. Opening balance of accumulated loss from the prior year</b>	-	-
a) changes in the accounting policy	-	-
b) corrections of fundamental errors	-	-
<b>7.5. Opening balance of accumulated loss from the prior year after reconciliation to comparable data</b>	-	-
a) additions (due to)	-	-
- transfer of loss to be covered	-	-
-		
b) disposals (due to)	-	-
-		
<b>7.6. Closing balance of accumulated loss from the prior year</b>	-	-
<b>7.7. Closing balance of accumulated profit/(loss) from the prior year</b>	-	-
<b>8. Net income</b>	<b>74 140</b>	<b>62 415</b>
a) net profit	74 140	62 415
b) net loss	-	-
<b>II. Closing balance of equity (CB)</b>	<b>177 616</b>	<b>271 501</b>

## CASH FLOW STATEMENT

For period 1 January - 31 December 1998	1997 prior year	1998 current year
<b>A. CASH FLOW FROM OPERATING ACTIVITIES (I-II) - direct method *)</b>		
<b>I. Inflows from operating activities</b>		
1. Inflows from sales	-	-
a) products	-	-
b) merchandises	-	-
c) materials	-	-
2. Inflows from other operating revenues	-	-
3. Inflows from extraordinary gains	-	-
4. Other inflows	-	-
<b>II. Outflows from operating activities</b>		
1. Purchase of:	-	-
a) merchandises	-	-
b) materials	-	-
2. Energy	-	-
3. External services	-	-
4. Taxes and charges	-	-
5. Payroll	-	-
6. Income tax payment	-	-
7. Outflows from other operating expenses	-	-
8. Outflows from extraordinary losses	-	-
9. Other outflows	-	-
<b>A. CASH FLOW FROM OPERATING ACTIVITIES (I+/-II) - indirect method *)</b>	<b>82 744</b>	<b>95 158</b>
<b>I. Profit / (loss) after taxation</b>	<b>74 140</b>	<b>62 415</b>
<b>II. Total adjustments</b>	<b>8 604</b>	<b>32 743</b>
1. Depreciation	16 061	17 025
2. Foreign exchange rates (gains) losses	298	6 654
3. Interests and dividends	(7 929)	( 709)
4. (Profit) loss on investment activity	(11 101)	(4 056)
5. Change in other provisions	( 208)	-
6. Corporate income tax (disclosed in profit and loss statement)	49 677	42 279
7. Corporate income tax paid	(53 364)	(39 216)

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8. Change in inventory position	( 657)	(7 438)
9. Change in accounts receivables position	(5 233)	(17 506)
10. Change in short-term liabilities (except for bank credits and loans)	14 564	14 362
11. Change in interperiod settlements position	4 855	826
12. Change in deferred income position	(1 654)	3 949
13. Other adjustments	3 295	16 573

<b>B. CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>(97 998)</b>	<b>(167 796)</b>
<b>I. Cash inflows from investment activities</b>	<b>665 191</b>	<b>506 753</b>
1. Sales of intangible fixed assets	-	-
2. Sales of tangible fixed assets	36	212
3. Sales of financial fixed assets including:	-	-
- in subsidiaries	-	-
- in associates	-	-
- in parent company	-	-
4. Sales of short-term securities	660 254	502 987
5. Long-term loans repaid	74	893
6. Dividends received	-	1
7. Interest received	4 827	2 660
8. Other	-	-
<b>II. Cash outflows from investing activities</b>	<b>763 189</b>	<b>674 549</b>
1. Purchase of intangible fixed assets	1 282	11 739
2. Purchase of tangible fixed assets	20 183	102 604
3. Purchase of financial fixed assets including:	3 614	19 713
- in subsidiaries	-	19 357
- in associates	1 257	356
- in parent company	-	-
4. purchase of own shares	-	-
5. Purchase of short-term securities	702 045	520 193
6. Long-term loans granted	1 220	10 230
7. Other	34 845	10 070
<b>C. CASH FLOW FROM FINANCIAL ACTIVITIES (I-II)</b>	<b>21 572</b>	<b>66 852</b>
<b>I. Inflows from financial activities</b>	<b>43 755</b>	<b>71 010</b>
1. Long-term bank credits and loans received	39 401	1 731
2. Issue of bonds and other long-term debt securities	-	-
3. Short-term bank credits and loans received	3 927	64 166
4. Issue of bonds and other short-term debt securities	-	-
5. Inflows from own shares issued	-	-
6. Capital payments	-	-
7. Other	427	5 113
<b>II. Cash outflows from financing activities</b>	<b>22 183</b>	<b>4 158</b>
1. Long-term bank credits and loans repaid	-	-
2. Redemption of bonds and other long-term securities	-	-
3. Short-term bank credits and loans repaid	14 728	-
4. Redemption of bonds and other short-term debt securities	-	-
5. Expenses related to shares and bonds issues	-	-
6. Redemption of shares	-	-
7. Dividends and other payments to shareholders	6 436	-
8. Supervisory Board bonuses	-	-
9. Employees bonuses paid from profit	-	-
10. Expenditure for public benefits	-	-
11. Payments of liabilities related to finance lease agreements	721	3 868
12. Other	298	290
<b>D. NET CASH FLOWS, TOTAL (A+/-B+/-C)</b>	<b>6 318</b>	<b>(5 786)</b>
<b>E. CHANGE OF CASH POSITION IN BALANCE SHEET</b>	<b>6 318</b>	<b>(5 786)</b>
- including change in cash position due to foreign exchange differences	53	( 48)
<b>F. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	<b>6 436</b>	<b>12 754</b>
<b>G. CASH AND CASH EQUIVALENTS AND THE END OF THE FINANCIAL YEAR (F+/-D)</b>	<b>12 754</b>	<b>6 968</b>

**NOTES****Notes concerning the balance sheet**

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**Note 1.**

<b>INTANGIBLE FIXED ASSETS</b>	<b>1997 prior year</b>	<b>1998 current year</b>
a) settlement of start-up expenses or organisational expenses of raising additional capital	-	124
b. Research and development expenditures	-	-
c. Goodwill	-	3 199
d. Concessions patents, licenses and similar assets	-	-
e. Computer software	2 520	9 235
f. Perpetual usufruct over land acquired	184	3 873
g. Other intangible fixed assets	-	27
h. Prepayments for intangible fixed assets	-	-
<b>Total intangible fixed assets</b>	<b>2 704</b>	<b>16 458</b>

CHANGES IN INTANGIBLE FIXED ASSESTS (by kind)									
	a) start-up expenses or organisational expenses of raising additional capital	b) development expenditure	c) goodwill	d) licenses, patents and similar values	e) computer softwares	f) the right to usufruct of land	g) other intangible fixed assets	h) advances related to intangible fixed assets	Total intangible fixed assets
a) gross opening value	0		0		4 017	287	0		4 304
b) additions	<b>140</b>		<b>3 917</b>		<b>8 237</b>	<b>4 392</b>	<b>29</b>		<b>16 715</b>
	140				8 061	3 509	29		11 739
- merge of companies			3 917		176	883			4 976
-									
c) disposals	-		-		<b>785</b>	-	-		<b>785</b>
- liquidation					785				785
-									
-									
d) gross closing value	<b>140</b>		<b>3 917</b>		<b>11 469</b>	<b>4 679</b>	<b>29</b>		<b>20 234</b>
e) accumulated amortization opening balance	0		0		1 497	103	0		1 600
f) amortization for the period	<b>16</b>		<b>718</b>		<b>737</b>	<b>703</b>	<b>2</b>		<b>2 176</b>
- planned	16		718		1 432	242	2		2 410
- related to merged companies					90	461			551
- liquidation					( 785)				( 785)
g) accumulated amortization closing balance	<b>16</b>		<b>718</b>		<b>2 234</b>	<b>806</b>	<b>2</b>		<b>3 776</b>
h) net closing value	<b>124</b>		<b>3 199</b>		<b>9 235</b>	<b>3 873</b>	<b>27</b>		<b>16 458</b>

In 1998 the fully depreciated computer programs amounting to PLN 785 thousand were written off from the register of intangible fixed assets

**Note 2.**

<b>TANGIBLE FIXED ASSETS</b>	<b>1997 prior year</b>	<b>1998 current year</b>
a) fixed assets, including:	26 808	146 858
- freehold land	-	8 105
	5 974	25 662
- equipment and machines	19 747	110 331
- vehicles	536	1 388
- other	551	1 372
b) construction in progress	13 585	5 864
c) prepayments for investments	50 822	60 892
<b>Total tangible fixed assets</b>	<b>91 215</b>	<b>213 614</b>

<b>MOVEMENT OF TANGIBLE FIXED ASSETS</b>						
	- freehold land	- buildings and construction	- equipment and machines	- vehicles	- other fixed assets	<b>total fixed assets</b>
a) gross value at the beginning of the period	0	7 208	54 244	1 344	4 034	66 830
b) additions	<b>8 105</b>	<b>22 014</b>	<b>104 431</b>	<b>1 281</b>	<b>2 081</b>	<b>137 912</b>
- received through merged companies		2 884	11 297	1 184	1 605	25 075
- settled from investments		14 127	5 007	97	474	19 705
- contribution in kind		5 003	88 127		2	93 132
c) disposals	0	7	<b>1 593</b>	<b>479</b>	<b>116</b>	<b>2 195</b>
- sales			12	434	28	474
- liquidation		7	1 570	45	88	1 710
- contribution in kind			11			11
-						
d) gross value at the end of the period	<b>8 105</b>	<b>29 215</b>	<b>157 082</b>	<b>2 146</b>	<b>5 999</b>	<b>202 547</b>
e) accumulated deprection at the beginning of the period	0	1 234	34 497	808	3 483	40 022
f) depreciation for the period	<b>0</b>	<b>2 319</b>	<b>12 254</b>	<b>( 50)</b>	<b>1 144</b>	<b>15 667</b>
- planned		1 256	12 184	282	892	14 614
- received through merged companies		1 065	1 606	33	357	3 061
- liquidation, contribution in kind		( 2)	(1 528)	( 34)	( 88)	(1 652)
- sales			( 8)	( 331)	( 17)	( 356)
g) accumulated depreciation at the end of the period	<b>0</b>	<b>3 553</b>	<b>46 751</b>	<b>758</b>	<b>4 627</b>	<b>55 689</b>
h) net value at the end of the period	<b>8 105</b>	<b>25 662</b>	<b>110 331</b>	<b>1 388</b>	<b>1 372</b>	<b>146 858</b>

Unplanned depreciation charges related to buidings amounting to PLN 5 thousand have resulted from the liquidation of telephone cable because of the change of the editorial seat of "Gazeta Wyborcza" branch in Katowice.

Unplanned depreciation charges related to machines amounting to PLN 54 thousand have resulted from the contribution in kind (net value of PLN 6 thousand) and the scrap of the obsolete and utilised computer equipment (net value of PLN 47 thousand).

Unplanned depreciation charges related to vehicles amounting to PLN 11 thousand have resulted from the liquidation of the damaged delivery van.

<b>FIXED ASSETS (OWNERSHIP STRUCTURE)</b>	<b>1997 prior year</b>	<b>1998 current year</b>
a) own	26 808	146 858
b) utilised on the basis of rental, lease or other agreement of similar nature, including:	-	-
-	-	-
	<b>26 808</b>	<b>146 858</b>

<b>OFF-BALANCE FIXED ASSETS</b>	<b>1997 prior year</b>	<b>1998 current year</b>
utilised on the basis of rental, lease or other agreement of similar nature, including:	285	2 054
- value of land under perpetual usufruct	285	2 054
-	-	-
<b>Total off-balance fixed assets</b>	<b>285</b>	<b>2 054</b>

**Note 3.**

<b>FINANCIAL FIXED ASSETS</b>	<b>1997 prior year</b>	<b>1998 current year</b>
a) shares, including:	3 616	125 631
- in subsidiaries	-	22 595
- in associates	1 257	102 942
- in parent company	-	-
b) long term loans granted, including	330	26 009
- to subsidiaries	-	1 972
- to associates	-	24 037
- to parent company	-	-
c) other securities, including:	-	-
- of subsidiaries	-	-
- of associates	-	-
- of parent company	-	-
d) other equity regulations (by kind)	-	-
-	-	-
e) other financial fixed assets	-	-
<b>Total financial fixed assets</b>	<b>3 946</b>	<b>151 640</b>

Shares are reported at cost. Complete influence of these shares on the financial position of the Company is presented in the consolidated financial statements.

As at 31 December 1998 the Company's shares in the associated company - Telewizyjna Koropracja Partycypacyjna S.A. ("TKP") amounted to PLN 98,517,6 thousand. The Company granted to TKP a long term loan in the amount of PLN 18,666 thousand. As a result of TKP shares acquisition, consolidated financial statements of Agora include goodwill on consolidation amounting to PLN 136,976 thousand.

As at 31 December 1998 the value of TKP investment presented in the consolidated financial statements of the Agora S.A. group equals zero and is made of the unamortized goodwill on consolidation of PLN 41,388 thousand and reduced by the group's share in negative net assets since the date of acquisition amounting PLN 41,388 thousand.

Attached non-consolidated financial statements do not include any adjustments resulting from permanent impairment in value of TKP shares.

In December 1998 the share capital of TKP was increased without Agora's contribution. As a result, the Company's share of TKP net assets decreased to 20%.

TKP took a bank loan which is secured by its shares owned by Agora SA

<b>MOVEMENT OF FINANCIAL FIXED ASSETS (BY KIND)</b>								
	a) shares including:	- subsidiary companies	- associated entities	- in parent companies	b) granted long term loans, including:	- subsidiary companies	- associated entities	- parent companies
a) opening balance	3 616	0	1 257		330	-	-	-
b) additions	125 628	22 595	102 942		28 794	2 359	26 405	
	20 054	19 606	356					
- through merged companies	105 574	2 989	102 586		17 264	939	16 325	
- granted loans					10 230	1 403	8 797	
- interests and revaluations					1 300	17	1 283	
- other								
c) disposals	3 613		1 257		3 115	387	2 368	
- shares in merged companies	3 613		1 257					
- payment of loans					747	387		
- provisions on interests and revaluation							2 368	
- other					2 368			
d) closing balance	125 631	22 595	102 942		26 009	1 972	24 037	
<b>Total financial fixed assets</b>	<b>125 631</b>	<b>22 595</b>	<b>102 942</b>		<b>26 009</b>	<b>1 972</b>	<b>24 037</b>	

	c) other securities, including:	- subsidiary companies	- associated entities	- parent company	d) other property rights (by kind)			e) other financial fixed assets	<b>Total financial fixed assets</b>
					-	-	-		
a) opening balance									<b>3 946</b>
b) additions									<b>154 422</b>
- acquisition									20 054
- from merged companies									122 838
- granted loans									10 230
- interests and revaluations									1 300
c) disposals									<b>6 728</b>
- shares in merged companies									3 613
- loan payment									747
- provisions on interest and revaluation									2 368
d) closing balance									151 640
<b>Total financial fixed assets</b>									<b>151 640</b>

SHARES IN SUBSIDIARY AND ASSOCIATED COMPANIES												
No	a	b	c	d	e	f	g	h	i	j	k	l
	Company name (legal form)	Seat	Business activity	Type of association	Consolidation method	Date of whe significant influence/c ontrol has been	Shares value as price	Loss on the revaluation	Balance sheet value of the shares	procent posiadaneg kapitalu akcyjnego/ zakladoweg	participation of votes on the General Shareholders Meeting	other basis of denomination at point j) or k)
1	Agora Poligrafia Sp. z o.o.	Tychy	printing business	subsidiary	full method	16.02.98	1 068	-	1 068	100,0%	100,0%	
2	KKK FM S.A.	Wroclaw	broadcast of local radio programs	subsidiary	excluded from consolidation	1.02.98	443	-	443	49,0%	49,0%	majority in the Board
3	Telewizyjna Korporacja Partycypacyjna S.A.	Warszawa	broadcast of local TV programs	association	equity method	1.02.98	98 518	-	98 518	20,0%	20,0%	
4	Inforadio Sp. z o.o.	Warszawa	broadcast of national radio programs	association	excluded from consolidation	1.02.98	2 857	-	2 857	29,2%	29,2%	
5	Elita Sp. z o.o.	Bydgoszcz	broadcast of local radio programs	subsidiary	excluded from consolidation	1.02.98	1 988	-	1 988	96,0%	96,0%	
6	Radio Trefl Sp. z o.o.	Sopot	broadcast of local radio programs	association	excluded from consolidation	1.02.98	984	-	984	49,0%	49,0%	
7	Jan Babczyszyn Radio Jazz FM Sp. z o.o.	Poznan	broadcast of local radio programs	association	excluded from consolidation	1.02.98	353	-	353	42,0%	42,0%	
8	IM 40 Sp. z o.o.	Warszawa	broadcast of local radio programs	subsidiary	excluded from consolidation	1.02.98	981	-	981	49,0%	49,0%	majority in the Board
9	Radio Wawel Sp. z o.o.	Kraków	broadcast of local radio programs	subsidiary	excluded from consolidation	1.02.98	2	-	2	50,0%	50,0%	
10	Lokalne Rozglosnie Radiowe Sp. z o.o.	Warszawa	radio business	subsidiary	excluded from consolidation	1.02.98	804	-	804	100,0%	100,0%	
11	O'LE Sp. z o.o.	Opole	broadcast of local radio programs	subsidiary	excluded from consolidation	1.02.98	469	-	469	100,0%	100,0%	
12	Karolina Sp. z o.o.	Katowice	broadcast of local radio programs	subsidiary	excluded from consolidation	26.03.98	1 448	-	1 448	99,9%	99,9%	
13	CITY Radio Sp. z o.o.	Czestochowa	broadcast of local radio programs	subsidiary	excluded from consolidation	25.06.98	2	-	2	100,0%	100,0%	
14	Trans-Serwis S.A.	Warszawa	shipping services	subsidiary	full method	1.07.98	15 390	-	15 390	100,0%	100,0%	
15	Biuro Obsługi Radiowej Sp. z o.o.	Poznan	radio, TV and promotional services	association	excluded from consolidation	9.09.98	230	-	230	46,0%	46,0%	

SHARES IN SUBSIDIARY AND ASSOCIATED COMPANIES (DEPOSITS) - continued															
No	a Company name	m Equity and liability amount to ..... includes:					n liabilities of the company including:		o Accounts Receivable including:		p Assets of the entity Total	r Revenue from sales	s outstanding payments of the value of the shares by the issuer	t received or due dividends/shares related to profit from last year	
		Share capital	Outstanding share capital contribution (negative value)	Reserve capital	Other reserve capital	accumulated profit/(loss) from previous years	profit/(loss) after taxation for the financial year	- longterm	- longterm	of the entity Total	from sales	of the entity Total	from sales	payments of the value of the shares by the issuer	received or due dividends/shares related to profit from last year
1	Agora Poligrafia Sp. z o.o.	1 000	-	-	4 789	( 199)	4 988	39 511	-	3 154	-	45 299	12 860	-	-
2	KKK FM S.A.	604	-	-	(1 465)	(1 475)	10	1 384	871	259	-	522	1 837	-	-
3	Telewizyjna Korporacja Partycypacyjna S.A.	216	-	198 077	(569 430)	(388 841)	(180 589)	622 373	221 624	57 148	-	350 683	151 689	-	-
4	Inforadio Sp. z o.o.	7 245	-	641	(14 382)	(2 115)	(12 267)	16 153	14 127	1 124	-	9 845	1 186	-	-
5	Elita Sp. z o.o.	2 083	-	-	(1 584)	( 728)	( 856)	493	372	226	-	992	557	-	-
6	Radio Trefl Sp. z o.o.	2 000	-	-	(1 716)	( 781)	( 935)	1 168	-	419	-	1 463	939	-	-
7	Jan Babczyszyn Radio Jazz FM Sp. z o.o.	600	-	-	( 429)	( 364)	( 65)	703	-	455	-	873	1 997	-	-
8	IM 40 Sp. z o.o.	1 000	-	465	( 191)	( 958)	767	1 362	-	1 374	-	2 666	4 750	-	-
9	Radio Wawel Sp. z o.o.	4	no business yet												
10	Lokalne Rozglosnie Radiowe Sp. z o.o.	804	-	-	( 4)	-	( 4)	145	130	16	-	945	197	-	-
11	O'LE Sp. z o.o.	465	-	-	( 451)	-	( 451)	270	-	116	-	283	822	-	-
12	Karolina Sp. z o.o.	1 100	-	-	( 833)	-	( 833)	1 183	713	227	-	1 475	277	-	-
13	CITY Radio Sp. z o.o.	4	-	-	(2 125)	( 676)	(1 464)	2 306	552	212	-	308	728	-	-
14	Trans-Serwis S.A.	3 680	-	10	307	( 3)	310	188	-	697	-	4 616	2 370	-	-
15	Biuro Obslugi Radiowej Sp. z o.o.	500	-	-	( 458)	-	( 458)	1 828	-	962	-	1 872	1 488	-	-

SHARES IN OTHER ENTITIES (DEPOSITS)								
	a	b	c	d	e	f	g	h
No.	Company name (legal form)	Seat	Business type	Balance value of shares	% of owned share capital	Participation in the overall number of votes on the General Shareholder Meeting	Outstanding payment of shares by issuer	Received or due dividend for the last year
1	Other			94	below 2,2%	below 2,2%		1
2								
3								
4								
5								

LONG TERM LOANS GRANTED (CURRENCY STRUCTURE)	1997 prior year	1998 current year
a) in Polish zloty	330	26 009
b) in foreign currencies (by currencies and after translation into PLN)		
b1. currency		
thousand PLN		
b2. currency		
thousand PLN		
b3. currency		
thousand PLN		
.....		
b4. other currencies in thousand PLN		
<b>Total long term loans granted</b>	<b>330</b>	<b>26 009</b>

Long term loans were granted in Polish zloty (PLN), however, the loan agreements allow lender to translate the value of loan and due interest according to USD exchange rate binding on the day of translation.

LONG TERM SECURITIES, SHARES AND OTHER EQUITY LAWS (CURRENCY STRUCTURE)	1997 prior year	1998 current year
a) in Polish zloty	3 616	125 631
b) in foreign currencies (by currencies and after translation into PLN)		
b1. currency		
thousand PLN		
b2. currency		
thousand PLN		
b3. currency		
thousand PLN		
.....		
b4. other currencies in thousand PLN		
<b>Total long term securities, shares and equity laws</b>	<b>3 616</b>	<b>125 631</b>

<b>LONG TERM SECURITIES, SHARES AND OTHER OWNERSHIPS (ACCORDING ITS TRANSFERABILITY)</b>	<b>1997 prior year</b>	<b>1998 current year</b>
A. Readily marketable, recorded on the stock exchange (balance sheet value)	-	-
a) shares (balance sheet value):	-	-
- adjustments updating the value (balance)		
- the value according to purchase price		
b) bonds (balance sheet value)	-	-
- adjustments updating the value (balance)		
- the value according to purchase price		
c) other - grouped by kind (balance sheet value):	-	-
c1 ...		
- adjustments updating the value (balance)		
- the value according to purchase price		
...		
B. Readily marketable, recorded on the controlled over the counter market (balance sheet value)	-	-
a) shares (balance sheet value):	-	-
- adjustments updating the value (balance)		
- the value according to purchase price		
b) bonds (balance sheet value)	-	-
- adjustments updating the value (balance)		
- the value according to purchase price		
c) other - grouped by kind (balance sheet value):	-	-
c1 ...		
- adjustments updating the value (balance)		
- the value according to purchase price		
...		
C. Readily marketable, not quoted neither on the stock exchange nor on the controlled over the counter markets (balance sheet value)	<b>3 616</b>	<b>125 631</b>
a) shares (balance sheet value):	<b>3 616</b>	<b>125 631</b>
- adjustments updating the value (balance)	-	-
- the value according to purchase price	<b>3 616</b>	<b>125 631</b>
b) bonds (balance sheet value)	-	-
- adjustments updating the value (balance)	-	-
- the value according to purchase price	-	-
c) other - grouped by kind (balance sheet value):	-	-
c1 ...	-	-
- adjustments updating the value (balance)	-	-
- the value according to purchase price		
...		
D. Limited transferability (balance sheet value)		
a) shares (balance sheet value):		
- adjustments updating the value (balance)		
- the value according to purchase price		
b) bonds (balance sheet value)		
- adjustments updating the value (balance)		
- the value according to purchase price		
c) other - grouped by kind (balance sheet value):		
c1 ...		
- adjustments updating the value (balance)		
- the value according to purchase price		
...		
Total value per purchase price	<b>3 616</b>	<b>125 631</b>
Total adjustments updating the value (balance)	-	-
Total balance sheet value	<b>3 616</b>	<b>125 631</b>

<b>OTHER FINANCIAL ASSETS (PER currency STRUCTURE)</b>	<b>1997 prior year</b>	<b>1998 current year</b>
a) in Polish currency	-	-
b) in foreign currency (per currency translated into Polish zloty)	-	-
b1. unit/currency ...../..... thousand zloty		
b2. unit/currency ...../..... thousand zloty		
b3. unit/currency ...../..... thousand zloty		
.....		
b4. other currency in thousand zloty		
<b>Total other financial assets</b>	-	-

#### Note 4.

<b>LONG TERM RECEIVABLES</b>	<b>1997 prior year</b>	<b>1998 current year</b>
a) trade long term receivables, including:	-	-
- associated entities		
- subsidiaries entities		
- dominant entities		
b) pozostałe należności długoterminowe, w tym:	-	-
- associated entities		
- subsidiaries entities		
- dominant entities		
Net long term receivables		
c) provision for receivables (positive value)	-	-
<b>Gross long term receivables</b>	-	-

<b>CHANGE IN LONG TERM RECEIVABLES POSITION</b>	<b>prior year</b>	<b>current year</b>
a) value as at the beginning of the period		
b) additions (due to)		
-		
c) disposals (due to )		
-		
<b>Long term receivables as at the end of the period</b>	-	-

<b>CHANGE IN PROVISION FOR LONG TERM RECEIVABLES POSITION</b>	<b>prior year</b>	<b>current year</b>
a) value as at the beginning of the period	-	-
b) additions (due to)	-	-
-		
c) usage (due to)	-	-
-		
d) reversal (due to)	-	-
-		
<b>Provision for long term receivables as at the end of the period</b>	-	-

<b>LONG TERM RECEIVABLES (PER currency STRUCTURE)</b>	<b>prior year</b>	<b>current year</b>
a) in Polish currency	-	-
b) in foreign currency (per currency translated into Polish zloty)	-	-
b1. unit/currency ...../..... thousand zloty		
b2. unit/currency ...../..... thousand zloty		
b3. unit/currency ...../..... thousand zloty		
.....		
b4. other currency in thousand zloty		
<b>Total long term receivables</b>	-	-

## Note 5.

STOCK	1997 previous year	1998 current year
a) Raw materials	7 351	15 536
b) Work in progress	-	-
c) Finished products	24	96
d) Merchandise	169	225
e) Prepayments for stocks	21	172
<b>Total stock</b>	<b>7 565</b>	<b>16 029</b>

## Note 6.

CURRENT DEBTORS	1997 previous year	1998 current year
a) Trade debtors	41 090	56 688
- subsidiary companies	-	1 151
- associated entities	4	455
- parent company	-	-
b) Other debtors - subsidiary companies	-	154
c) Other debtors - associated entities	-	216
d) Other debtors - parent company	-	-
e) Taxation, subsidy and social security debtors	4 535	4 342
d) Dividends and other participation in earnings	-	-
e) Other debtors	5 565	7 036
f) Debtors subject to legal proceedings	10	1
<b>Debtors (net)</b>	<b>51 200</b>	<b>68 437</b>
g) Provision for doubtful debt (positive figure)	10 810	17 254
<b>Debtors (nominal value)</b>	<b>62 010</b>	<b>85 691</b>

MOVEMENTS IN PROVISION FOR DOUBTFULL DEBTS (INCLUDING PROVISION FOR LONG-TERM DEBTORS)	1997 previous year	1998 current year
a) Period opening balance	4 987	10 810
b) Additions	<b>7 424</b>	<b>10 324</b>
- provision for debts subject to legal proceedings	659	1 924
- provision for bad debts	4 585	8 028
- provision for doubtful debts	2 180	372
c) realisation	<b>1 225</b>	<b>916</b>
- due to debt write-off	1 225	916
-	-	-
d) reversal	<b>376</b>	<b>2 964</b>
- settlement of payments	376	2 964
-	-	-
<b>Debt provision closing balance</b>	<b>10 810</b>	<b>17 254</b>

DEBTORS (BY CURRENCY)	1997 previous year	1998 current year
a) Denominated in Polish currency	61 571	85 096
b) Denominated in foreign currencies (in original currency and translation)	<b>439</b>	<b>595</b>
b1. unit/currency DEMk.	153	117
PLNk.	<b>300</b>	<b>244</b>
b2. unit/currency FRFk.	19	224
PLNk.	<b>11</b>	<b>140</b>
b3. unit/currency GBPk.	8	14
PLNk.	<b>45</b>	<b>83</b>
b4. unit/currency CADk.	1	10
PLNk.	<b>3</b>	<b>23</b>
.....	-	-
b5. other currencies (translated) in PLNk.	<b>80</b>	<b>105</b>
<b>Total short term debtors</b>	<b>62 010</b>	<b>85 691</b>

<b>AGEING OF TRADE DEBTORS (NOMINAL VALUE) AS AT YEAR END</b>	<b>1997 previous year</b>	<b>1998 current year</b>
a. Due within 1 month	*/	41 740
b. Due between 1 and 3 months	*/	154
c. Due between 3 and 6 months	*/	-
d. Due between 6 months and 1 year	-	21
e. Due after 1 year	-	-
f. Overdue trade debtors	-	27 423
<b>Total trade debtors (nominal value)</b>	-	<b>69 338</b>
g. Provision for doubtful debts (negative figure)	-	(12 650)
<b>Total trade debtors (net)</b>	-	<b>56 688</b>

Trade debtors turnover - regular sales cycle:

- advertisements 7 - 21 days
- newspapers 7 - 23 days

<b>AGEING OF OVERDUE TRADE DEBTORS (NOMINAL VALUE) AS AT YEAR END - UNSETTLED WITHIN:</b>	<b>1997 previous year</b>	<b>1998 current year</b>
a. 1 month	*/	7 553
b. between 1 and 3 months	-	6 733
c. between 3 and 6 months	-	3 836
d. between 6 months and 1 year	-	3 571
e. after 1 year	-	5 730
<b>Total overdue trade debtors (nominal value)</b>	-	<b>27 423</b>
g. Provision for doubtful debts (negative figure)	-	(12 203)
<b>Total overdue trade debtors (net)</b>	-	<b>15 220</b>

Included in the total debtors nominal value of 85.691 PLNk. are:

- trade debtors of 27.423 tys. zł., including 15.220 PLNk. not provided for,
- receivables from the State of 2,180 KPLN., totally provided for.

No questionable debts other than those subject to legal proceedings were recorded as at 31.12.98.

\*/ in 1997 the Company did not record the receivables in accordance with the criteria applied above.

## Note 7.

<b>OWNES SHARES FOR RESALE</b>				
Number	Value by acquisition price	Balance value	Acquisition price	Purpose

<b>SHARES OF THE ISSUER OWNED BY THE SUBSIDIARY COMPANIES</b>			
Company name, seat	Number	Value by acquisition price	Balance value

## Note 8.

SHORT-TERM SECURITIES, SHARES AND PARTICIPATION UNITS	1997 previous year	1998 current year
a) Shares	-	-
- in subsidiary companies		
- in associated entities		
- in parent company		
b) Other short-term securities	64 949	37 464
- in subsidiary companies	-	36 809
- in associated entities	64 949	655
- in parent company		
c) Other securities and participation units	30 533	10 123
- government bonds	30 533	10 123
-		
-		
<b>Total short-term securities, shares and participation units</b>	<b>95 482</b>	<b>47 587</b>

SHORT-TERM SECURITIES, SHARES AND PARTICIPATION UNITS (BY CURRENCY)	1997 previous year	1998 current year
a) Denominated in Polish currency	95 482	47 587
b) Denominated in foreign currencies (in original currency and translation)	-	-
b1. unit/currency		
PLNk.		
b2. unit/currency		
PLNk.		
b3. unit/currency		
PLNk.		
.....		
b4. other currencies (translated) in PLNk.		
<b>Total short-term securities, shares and participation units</b>	<b>95 482</b>	<b>47 587</b>

SHORT-TERM SECURITIES, SHARES AND PARTICIPATION UNITS (BY CURRENCY)	1997 previous year	1998 current year
A. Readily marketable securities, traded on stock exchanges (balance-sheet value)	-	-
a) shares (balance-sheet value)	-	-
- market value (net)		
- purchase cost		
b) Bonds (balance-sheet value)	-	-
- market value (net)		
- purchase cost		
c) other (balance-sheet value)	-	-
- market value (net)		
- purchase cost		
- wartosc wedlug cen nabycia		
...		
b. Readily marketable securities, traded on regulated, over-the-counter-market (balance-sheet value)	-	-
a) shares (balance-sheet value)	-	-
- market value (net)		
- purchase cost		
b) bonds (balance-sheet value)	-	-
- market value (net)		
- purchase cost		
c) other (balance-sheet value)	-	-
- market value (net)		
- purchase cost		
- wartosc wedlug cen nabycia		
...		
c. Readily marketable securities, not traded on stock exchanges or regulated over-the-counter market (balance-sheet value)	95 482	47 587
a) shares (balance-sheet value)	-	-
- market value (net)		
- purchase cost		
b) bonds (balance-sheet value)	-	-

- market value (net)		
- purchase cost		
c) other,including participation unit (balance-sheet value)	95 482	47 587
c1 corporate bonds ( balance sheet value)	64 949	37 464
- valuation adjustment (net)	-	3 545
- purchase cost	64 949	33 919
c2 treasury bonds (balance sheet bonds)	30 533	10 123
- valuation adjustment (net)	1 331	201
- purchase cost	29 202	9 922
...		
D. Securities with restricted marketability (balance-sheet value)	-	-
a) shares (balance-sheet value)	-	-
- estimated market value (net)		
- purchase cost		
b) bonds (balance-sheet value)	-	-
- estimated market value (net)		
- purchase cost		
c) other (balance-sheet value)	-	-
- valuation adjustment (net)		
- purchase cost		
- wartosc wedlug cen nabycia		
...		
<b>Total purchase / aquisition cost</b>	<b>94 151</b>	<b>43 841</b>
<b>Total valuation adjustment (net)</b>	<b>1 331</b>	<b>3 746</b>
<b>Total market value</b>	<b>95 482</b>	<b>47 587</b>
<b>Total book value</b>	<b>95 482</b>	<b>47 587</b>

## Note 9.

<b>CASH AND CASH EQUIVALENTS</b>	<b>1997 previous year</b>	<b>1998 current year</b>
a. Cash on hand	381	306
b. Cash in bank	12 227	6 417
c. Other	146	245
<b>Total cash and cash equivalents</b>	<b>12 754</b>	<b>6 968</b>

<b>CASH AND CASH EQUIVALENTS (BY CURRENCY)</b>	<b>1997 previous year</b>	<b>1998 current year</b>
a) Denominated in Polish currency	7 396	6 206
b) Denominated in foreign currencies (in original currency and translation)	<b>5 358</b>	<b>762</b>
b1. unit/currency USDk.	1 598	213
PLNk.	<b>3 137</b>	<b>746</b>
b2. unit/currency DEMk.	631	6
PLNk.	<b>2 221</b>	<b>13</b>
b3. unit/currency CHFk.	-	1
PLNk.	-	<b>3</b>
.....		
b4. other currencies (translated) in PLNk.	-	-
<b>Total cash and cash equivalents</b>	<b>12 754</b>	<b>6 968</b>

## Note 10.

Change in deferred tax asset	1997 prior year	1998 current year
Deferred tax asset at beginning of period	-	-
a) increases	-	-
-		
b) decreases	-	-
-		
Deferred tax asset at the end of period		
<b>Total prepaid expensed</b>	-	-

OTHER PREPAID EXPENSES	1997 prior year	1998 current year
a) prepaid expenses, incl.:	2 133	2 936
- preparation of prospectus and other shares issuance cost	-	2 580
- rents	535	230
- insurance	29	63
- provision on credit	916	-
- advertising	153	30
- renovation	453	-
b) other prepaid expenses, incl.:	-	-
-		
<b>Total prepaid expenses</b>	<b>2 133</b>	<b>2 936</b>

## Note 11.

SHARE CAPITAL						
Face value of one share = 1,00 zł						
Seria/ emisja	Kind of shares	Type of privilege	Number of shares	Value of the series/issues by face value	Contributed by	Dividend rights (from)
A	ordinary shares	5 x number of votes	4 281 600	4 281	Conversion of stock into share	1.01.97
B	ordinary shares	none	39 108 900	39 109	Conversion of stock into share	1.01.97
C	ordinary shares	5 x number of votes	750 000	750	Conversion of stock into share	1.01.97
<b>Total number of shares</b>			<b>44 140 500</b>			
<b>Total share capital</b>				<b>44 140</b>		

Share equity comprise of 44.140.500 shares of 1 PLN face value each. These are bearer shares and have been acquired by shareholders as a result of conversion of limited liability company into public company. Shares of A and C series provide 5 voting rights each, while every shareholder of C series shares is assigned voting right not higher than percentage of shares kept to total number of shares existing at the moment of holding the General Shareholders Meeting.

All shares have some stipulations as to their saleability.

Shareholders who have at least 5% of total voting rights on General Shareholders Meeting, at the date of issuing this report:

- AGORA-HOLDING Sp. z o.o. 56,95% of total voting rights on GSM,
- COX Poland Investments, Inc. 13,13% of total voting rights on GSM.

## Note 12.

<b>RESERVE CAPITAL</b>	<b>1997 prior year</b>	<b>1998 current year</b>
a) share premium	-	-
b) Statutory reserves	-	-
c) Capital reserves established in accordance with the statute / (deed), in excess of legal requirements	58 222	162 995
d) Additional payments from shareholders	-	1 038
e) other	-	-
<b>Kapital zapasowy, razem</b>	<b>58 222</b>	<b>164 033</b>

## Note 13.

<b>OTHER RESERVE CAPITAL (BY APPROPRIATION)</b>	<b>1997 prior year</b>	<b>1998 current year</b>
-		
-		
<b>Total other reserve capital</b>	<b>-</b>	<b>-</b>

## Note 14.

<b>ACCUMULATED PROFIT / (LOSS) FROM PREVIOUS YEARS</b>	<b>1997 prior year</b>	<b>1998 current year</b>
a) Accumulated profit (positive figure)		
b) Accumulated loss (negative figure)		
<b>Accumulated profit / (loss) from previous years</b>	<b>-</b>	<b>-</b>

## Note 15.

<b>MOVEMENTS IN DEFERRED TAX PROVISION</b>	<b>1997 prior year</b>	<b>1998 current year</b>
Balance at beginning of year	3 135	3 775
a) additions:	<b>2 925</b>	<b>9 962</b>
- investment relief	2 303	7 331
- valuation of bonds	505	1 468
- tax on settled/utilised provisions	89	410
- tax on realised foreign exchange differences	17	2
- tax on realised interest on loans and credits	11	130
- provision contributed by merged companies	-	621
- other	-	-
b) disposals:	<b>2 285</b>	<b>6 900</b>
- tax on utilised prior year investment relief	1 457	1 509
- tax on valuation in prior years of bonds sold in current year	334	646
- tax on created provisions	317	786
- tax on accrued interest on loans and credits	32	2 065
- tax on unrealised negative foreign exchange rate differences	145	1 610
- change in tax rate	-	284
- other	-	-
Balance at the end of year	<b>3 775</b>	<b>6 837</b>

## Note 16.

<b>OTHER PROVISIONS</b>	<b>1997 prior year</b>	<b>1998 current year</b>
- provisions for certain and probable losses	39	39
-		
<b>Total other provisions</b>	<b>39</b>	<b>39</b>

<b>MOVEMENTS IN OTHER PROVISIONS (EXCLUSIVE OF RECEIVABLES PROVISION)</b>	<b>1997 prior year</b>	<b>1998 current year</b>
Balance at beginning of year	39	39
- provisions for certain and probable losses	39	39
-		
a) additions	-	-
-		
b) disposals	-	-
-		
c) settlements	-	-
-		
Balance at the end of year	39	39
- provisions for certain and probable losses	39	39
-		
<b>Total other provisions</b>	<b>39</b>	<b>39</b>

## Note 17.

<b>LONG-TERM LIABILITIES</b>	<b>1997 prior year</b>	<b>1998 current year</b>
a) long-term bank credit, incl.:	39 401	0
- from parent company	-	-
b) long-term loans	-	63 129
- from subsidiaries	-	-
- from associated entities	-	-
- from parent company	-	-
c) liabilities relating to long-term debt securities issued	-	-
d) liabilities relating to other securities	-	-
e) finance lease commitments	-	-
f) other long-term liabilities	-	-
-	-	-
<b>Total long-term liabilities</b>	<b>39 401</b>	<b>63 129</b>

<b>AGEING OF LONG TERM LIABILITIES</b>	<b>1997 prior year</b>	<b>1998 current year</b>
a) between 1 and 3 years	39 401	-
b) between 3 and 5 years	-	-
c) after 5 years	-	63 129
<b>Total long-term liabilities</b>	<b>39 401</b>	<b>63 129</b>

<b>LONG-TERM LIABILITIES (BY CURRENCY)</b>	<b>1997 prior year</b>	<b>1998 current year</b>
a) long-term liabilities in Polish currency	-	-
b) long-term liabilities in foreign currencies (translated into Polish currency)	39 401	63 129
b1. unit/currency thousands/ USD	11 200	18 016
thousands PLN	39 401	63 129
b2. unit/currency ...../.....		
thousands PLN		
b3. unit/currency ...../.....		
thousands PLN		
.....		
b4. other currencies in thousands PLN		
<b>Total long-term liabilities</b>	<b>39 401</b>	<b>63 129</b>

The above mentioned loan will be repaid after 10 years, except that the loan can be converted into 13.308 shares of Telewizyjnej Korporacji Partycypacyjnej S.A. , being held by the Company, within the next 3 years.

LONG TERM LIABILITIES RELATED TO BANK LOANS AND OVERDRAFTS								
Company name (legal form)	Seat	Loan amount according to agreement		Loan /overdraft payable		Interest conditions	Repayment date	Guarantees
		PLN thousand	USD thousand	PLN thousand	USD thousand			
	Wilmington, USA	63 129	18 016	63 129	18 016	6,31% rocznie	10.09.2007	none

The loan will be repaid after 10 years, except when Cox use its right to exchange the loan into 13 308 shares of TKP SA owned by the Company.

Debt securities by kind	Face value	Interest conditions	Redemption date	Guarantees	Other rights

## Note 18.

SHORT-TERM LIABILITIES	1997 prior year	1998 current year
a) bank credits	3 927	73 203
- from the parent company	-	-
- from subsidiaries	-	-
- from associated entities	-	-
- from parent company	-	-
c) liabilities relating to short-term debt securities issued	-	-
d) liabilities relating to other short-term debt securities issued	-	-
e) trade liabilities payable to:	27 216	45 944
- subsidiaries	-	115
- associated entities	-	-
- parent company	-	-
f) advance payment received	-	-
g) bills of exchange payable	-	-
h) taxation, customs, social security payable	6 710	7 012
i) dividends payable	-	-
j) payroll creditors	209	335
k) current portion of long-term liabilities, incl.:	-	39 245
- bank credits and loans	-	39 245
l) special fund	2 141	3 469
m) other short-term liabilities, incl.:	897	2 068
- interest on loans and credits	-	1 125
- deposits taken	-	200
-	-	-
<b>Total short-term liabilities</b>	<b>41 100</b>	<b>171 276</b>

SHORT-TERM LIABILITIES (BY CURRENCY)	1997 prior year	1998 current year
a) short-term liabilities in Polish currency	27 948	40 226
b) short-term liabilities in foreign currencies (translated into Polish currency)	13 152	131 050
b1. unit/currency thousands/ DEM	6 588	42 728
thousands PLN	12 935	89 366
b2. unit/currency thousands/ USD	1	11 548
thousands PLN	4	40 466
b3. unit/currency thousands/ CHF	1	217
thousands PLN	2	553
b4. unit/currency thousands/ SEK	102	-
thousands PLN	45	-
.....	-	-
b4. other currencies in thousands PLN	166	665
<b>Total short-term liabilities</b>	<b>41 100</b>	<b>171 276</b>

SHORT TERM LIABILITIES RELATED TO BANK LOANS AND OVERDRAFTS								
Company name (legal form)	Seat	Loan/overdraft by contract		Loan/overdraft payable		Interest conditions	Redemption date	Guarantee
		PLN thousand	currency	PLN thousand	currency			
Credit Suisse First Boston AG	Warszawa	73 203	DEM thousand 35,000	73 203	DEM thousand 35,000	LIBOR + 1% rocznie	3.06.1999 or from the proceeds from the issue of Agora SA Public share.	Guarantees given by Agora-Holding Sp. z o.o.
	Warszawa	39 245	thousand USD 11,200	39 245	USD thousand 11,200	LIBOR + 1% rocznie	31.12.1999	Guarantees given by Agora-Holding Sp. z o.o.

SHORT TERM LIABILITIES BY ISSUED DEBENTURE STOCK					
Debenture stock by kind	Face value	Interest requirements	Redemption date	Guarantee	Other rights

SPECIAL FUND (BY APPRIORPRIATION)	1997 prior year	1998 current year
- Social Fund	2 060	3 388
- Pension Fund	81	81
<b>Total special funds</b>	<b>2 141</b>	<b>3 469</b>

**Note 19.**

ACCRUED EXPENSES AND DEFERRED INCOME	1997 prior year	1998 current year
a) accrued expenses, including:	2 130	3 748
- holiday pay accrual	2 130	2 248
- accrual for employee incentive plan	-	1 500
-		
-		
b) deferred income, including:	2 938	7 139
- unrealised foreign exchange rate differences	870	3 256
- prepayments received for advertisements and subscriptions	1 638	3 127
- court costs to be recovered	261	253
- debtors and interest collected by bank	-	388
-		
<b>Total accrued expenses and deferred income</b>	<b>5 068</b>	<b>10 887</b>

**Calculation of book value per share and diluted book value:**

Book value per share has been calculated by dividing share capital (at balance sheet date) by the number of shares having subscription right at the balance sheet date.

Diluted book value per share has been calculated by dividing share capital (at balance sheet date) by the anticipated number of shares having the subscription right.

**1997** In the audited period Agora S.A. was a limited liability company (LLC) with 882.810 capital shares issued. After transformation (as of 1 April 1998) from LLC into public company

each share was converted into 50 shares:  $882.810 \times 50 = 44.140.500$ . In order to keep comparability of data for 1997 with data for 1998, the calculation of book value per stock for 1997 was performed taking the equivalent of 44.140.500 instead of the actual number of 882.810. Otherwise the book value per stock in 1997 would be 50 times higher. The diluted book value equals book value per share in 1997 as there were no changes in 1997.

**1998** Number of registered shares, having the subscription right at 31 December 1998 amounted to 44.140.500. On 8 May 1998 Extraordinary Shareholders' Meeting took resolution on issuance of new shares of the following series:

- D - 2.267.025 shares,
- E - 9.000.000 shares,
- F - 1.350.000 shares.

**Total: 12.617.025 shares.** Issue of new shares took place. On 29 March 1999 the Registry Court registered increased the share capital by shares of D, E i F series. New shares have right to dividend with effect from 1 January 1998. Accordingly, the anticipated number of share having the right to subscription amounts to:  $44.140.500 + 12.617.025 = 56.757.525$  shares.

Share capital as at (31 December 1998)	PLN	271 501	thousand
Increase of share capital - shares classes D,E,F (as at 31 March 1999)	PLN	12 617	thousand
Share premium (as at 31 March 1999)	<u>PLN</u>	<u>362 250</u>	<u>thousand</u>
Equity total	PLN	646 368	thousand

Diluted book value amounts to 11.39

## Notes to profit and loss account

### Note 20.

NET SALES OF FINISHED PRODUCTS (BY TYPE OF PRODUCTS)	1997 prior year	1998 current year
- sale of announcement	307 787	419 884
- sale of publications	89 579	108 416
- sale of services of auxiliary activity	10 423	7 457
- other sale	5 810	11 161
-		
<b>Total net sales of finished products</b>	<b>413 599</b>	<b>546 918</b>

NET SALES OF FINISHED PRODUCTS (BY GEOGRAPHIC AREA)	1997 prior year	1998 current year
a. Domestic sales	413 448	546 748
b. Export sales	151	170
<b>Total net sales of finished products</b>	<b>413 599</b>	<b>546 918</b>

### Note 21.

NET SALES OF MERCHANDISE AND MATERIALS (BY TYPE OF ACTIVITY)	1997 prior year	1998 current year
- sales of materials	1 389	1 743
- sales of reinforcements and merchandise	1 408	2 111
- sales of albums	47	73
- other sales	13	9
<b>Total net sales of merchandise and materials</b>	<b>2 857</b>	<b>3 936</b>

NET SALES OF MERCHANDISE AND MATERIALS (BY GEOGRAPHIC AREA)	1997 prior year	1998 current year
a. Domestic sales	2 857	3 936
b. Export sales		
<b>Total net sales of merchandise and materials</b>	<b>2 857</b>	<b>3 936</b>

### Note 22.

COST BY TYPE OF EXPENDITURE	1997 prior year	1998 current year
a) materials and energy	91 467	137 124
b) external services	101 354	106 361
c) taxes and charges	1 572	2 228
d) payroll	52 530	73 738
e) employee allowances	24 300	34 087
f) depreciation	16 061	17 025
g) other	12 987	17 007
<b>Total cost by type of expenditure</b>	<b>300 271</b>	<b>387 570</b>
Changes in stock and prepaid and accrued expenses	0	(75)
Selling costs	(30 632)	(39 727)
Administrative and general expenses	(55 602)	(65 839)
<b>Cost of products sold</b>	<b>214 037</b>	<b>281 929</b>

**Note 23.**

OTHER OPERATING INCOME	1997 prior year	1998 current year
a) revenue from sales of fixed assets	36	212
b) subsidy	-	-
c) provision reversal	108	1 590
- payment of debts provided for	108	1 567
- reversal of provision for stock		23
-		
d) other, including:	1 291	540
- donations obtained	520	118
- penalties received	5	130
- correction of financial expenses from previous year	238	107
- return of legal charges	44	91
- liabilities written-off	11	9
- return of receivables written-off	20	14
- income consistent with tax law		34
-		
<b>Total other operating income</b>	<b>1 435</b>	<b>2 342</b>

**Note 24.**

OTHER OPERATING EXPENSES	1997 prior year	1998 current year
a) net book value of fixed assets sold	42	118
b) valuation adjustment to stock		
c) unplanned depreciation charges	229	107
d) provisions created for:	5 767	7 066
- outstanding debts	3 587	7 066
- receivables from state	2 180	
-		
e) other, including:	2 128	36 227
- cost of agreement with COX Poland Investment, Inc.		34 743
- subsidy	1 358	740
- receivables written-off	444	51
- legal charges and suit costs	170	199
-		
<b>Total other operating expenses</b>	<b>8 166</b>	<b>43 518</b>

In 1998 the Company, Agora-Holding Sp. z o.o., Agora-Druk Sp. z o.o., AC TV Sp. z o.o., AC Radio Sp. z o.o. and Agora-Poligrafia concluded the agreement with Cox Poland Investment, Inc., where Cox pledged not to take competitive activity against Agora group within five years since the conclusion of agreement. The cost of the

Unplanned depreciation charges amounting to PLN 107k resulted from:	<b>107</b>
1) scrapping of obsolete, utilised computer equipment	47
2) liquidation of damaged delivery van	11
3) donations of computer equipment	6
4) liquidation of phone cable due to the change of the Company's seat	5
5) abandonment of construction in progress (building renovation) due to the	38

**Note 25.**

INCOME FROM SHARES IN OTHER ENTITIES	1997 prior year	1998 current year
Income from shares in other entities, including:	-	1
1. from subsidiaries		
2. from associates		
3. from parent company		
<b>Total income from shares in other entities</b>	<b>-</b>	<b>1</b>
<b>Total income from shares in other entities</b>	<b>-</b>	<b>1</b>

**Note 26.**

INCOME FROM OTHER FINANCIAL FIXED ASSETS	1997 prior year	1998 current year
Income from other financial fixed assets, including:		
1. from subsidiaries		
2. from associates		
3. from parent company		
<b>Total income from other financial fixed assets</b>	<b>-</b>	<b>-</b>

**Note 27.**

OTHER FINANCIAL INCOME	1997 prior year	1998 current year
a) interest on loans granted, including:	4 745	3 072
- from subsidiaries	-	227
- from associates	-	1 917
- from parent company	-	-
b) other interest, including:	4 481	4 915

- from subsidiaries	-	-
- from associates	-	-
- from parent company	-	-
c) proceeds from sales of securities	10 527	3 346
d) gain on the revaluation of financial fixed assets and short term securities	3 846	4 519
e) foreign exchange gains	200	2 610
f) provision reversal, including:	268	4 748
- interest paid on outstanding debts	268	346
- revaluation of securities of related companies		4 402
g) other, including:	1	957
-		
-		
<b>Total other financial income</b>	<b>24 068</b>	<b>24 167</b>

**Note 28.**

<b>FINANCIAL EXPENSES</b>	<b>1997 prior year</b>	<b>1998 current year</b>
a) interest on loans and credits, including:	207	5 257
- from subsidiaries	-	-
- from associates	-	-
- from parent company	-	-
b) other interest, including:	520	2 234
- from subsidiaries	-	-
- from associates	-	-
- from parent company	-	-
c) loss on sales of financial fixed assets and short term securities	-	-
d) loss on the revaluation of financial fixed assets and short term securities	-	-
e) foreign exchange losses	842	5 318
- realised	467	1 517
- unrealised	375	3 801
f) created provisions, including:	5 053	3 955
- for revaluation of securities held for resale	3 396	
- for accrued interest on outstanding payments	1 657	2 671
- for revaluation of loans granted		1 284
g) other financial expenses, including:	71	21 200
- cost of credit service	61	80
- shares in Agora Holding Sp. z o.o. written-off		19 070
<b>Total financial expenses</b>	<b>6 693</b>	<b>37 964</b>

**Note 29.**

<b>EXTRAORDINARY GAINS</b>	<b>1997 prior year</b>	<b>1998 current year</b>
a) effects of unique events	20	27
b) other, including:		6
-		
-		
-		
<b>Total extraordinary gains</b>	<b>20</b>	<b>33</b>

**Note 30.**

<b>EXTRAORDINARY LOSSES</b>	<b>1997 prior year</b>	<b>1998 current year</b>
a) effects of unique events	16	2
b) other, including:	3	0
-		
-		
-		
<b>Total extraordinary losses</b>	<b>19</b>	<b>2</b>

**Note 31.**

<b>CORPORATE INCOME TAX</b>	<b>1997 prior year</b>	<b>1998 current year</b>
1. Profit before taxation	<b>123 817</b>	<b>104 694</b>
2. Permanent differences between profit (loss) before taxation and taxable profit	16 351	22 414
3. Temporary differences between profit (loss) before taxation and taxable profit	(1 683)	(8 016)
4. Other differences between profit (loss) before taxation and taxable profit,	-	(324)
- prior period losses		
5. Tax base	<b>138 485</b>	<b>118 768</b>
6. Corporate income tax according to rates: 38% in 1997 and 36% in 1998	<b>52 624</b>	<b>42 757</b>
7. Abandonment, exemption, deduction and reduction of tax	(3 587)	(2 919)
8. Corporate income tax payable	<b>49 037</b>	<b>39 838</b>
9. Deferred tax		
- opening balance	4 008	5 004
- additions	2 820	8 799
- deferred tax of merged companies		666
- disposals	(1 824)	(2 603)
- closing balance	5 004	11 866
10. Deferred tax asset		
- opening balance	873	1 229
- additions	462	4 451
- settlement of corporate income tax of merged companies		45
- disposals	(106)	(696)
- closing balance	1 229	5 029
11. Difference between the increase of deferred tax and deferred tax asset	<b>640</b>	<b>2 441</b>
12. Corporate income tax commensurate with profit (loss) before taxation,	<b>49 677</b>	<b>42 279</b>

The difference in balance of deferred tax as at 31 December 1997 and 31 December 1998 amounted to PLN 3 062 thousand however tax charge for the year includes the increase of PLN 2 441 thousand due to the deferred tax provision of PLN 621 thousand absorbed from merged companies.

**Differences between corporate income tax presented in profit**

<b>and loss account, and tax calculated from taxable base</b>	<b>1997 prior year</b>	<b>1998 current year</b>
Tax calculated from taxable base	52 624	42 757
1. Investment bonus	1 893	5 989
- tax from investment bonus	( 719)	(2 156)
2. Donations	1 301	978
- tax from donations	( 495)	( 352)
3. Adjustment of tax from previous financial periods	(2 373)	( 193)
4. Current tax in merged companies		( 218)
5. Future corporate income tax liabilities (34% of tax base in 1998), including:	<b>1 017</b>	<b>6 643</b>
- due to investment relief	846	5 822
- due to revaluation of securities held for resale	171	821
6. Future corporate income tax receivables (34% of tax base in 1998), including:	<b>( 377)</b>	<b>(3 918)</b>
- due to unrealised foreign exchange losses	( 128)	(1 608)
- due to creation of provision for unused holidays and salaries	( 228)	( 376)
- due to accrued interest on loans and credits	( 21)	(1 934)
7. Change of deferred tax due to change of tax rates		( 437)
8. Deferred tax asset write-off due to little probability of tax recoverability		153
<b>Corporate income tax presented in profit and loss account</b>	<b>49 677</b>	<b>42 279</b>

Corporate income tax on extraordinary events is calculated according to tax rates binding in the respective year.

**Note 32.**

<b>OTHER OBLIGATORY REDUCTIONS OF PROFIT (LOSS), DUE TO:</b>	<b>1997 prior year</b>	<b>1998 current year</b>
-		
-		
<b>Total other reductions of profit (loss)</b>	-	-

**Calculation of profit per share and diluted profit per share:**

Profit per share was calculated by dividing the profit from the last 12 months by the average weighted amount of share entitled to dividend.

Diluted profit per share was calculated by dividing the profit from the last 12 months by the average weighted of the expected amount of shares entitled to dividend.

**1997.** In this period Agora S.A. was a limited company, whose capital consisted of 882.810 shares.

After the transformation of the limited company into joint the joint-stock company (on 1 April 1998) each share was converted into 50 shares:  $882.810 \times 50 = 44.140.500$ . In order to maintain the comparability of 1997 and 1998 data, when calculating the profit per share for 1997, it was assumed that the number of shares would be 44.140.500 instead of 882.810. The profit per share was 50-times higher and amounts to PLN 84. The number of shares in 1997 did not change, thus the diluted profit per share is equal to the profit per share.

**1998.** The number of registered shares, entitled to dividend, as at 31 December 1998 amounts to 44.140.500 shares.

On 8 May 1998 the Extraordinary Shareholders' Meeting made the resolution on the issue of:

share series D - 2.267.025 shares

share series E - 9.000.000 shares

share series F - 1.350.000 shares

**Total: 12.617.025 shares.** The issue of new share came into effect on 29 March 1999 when the registry court registered the raise of share capital by the share series D, E and F. New shares are entitled to dividend with effect 1 January 1998.

Therefore, the expected number of shares amounts to:

$44.140.500 + 12.617.025 = 56.757.525$  shares

**Suggested net profit appropriation:** The Board of Directors of Agora S.A. proposes to transfer the profit for 1998 of PLN 62.415.434,51 to reserve capital.

## Notes to statements of cash flows

THE STRUCTURE OF CASH IN THE STATEMENTS OF CASH FLOW	Opening balance 01.01.1998	Closing balance 31.12.1998
Cash on hand	381	306
Cash at bank	2 946	4 481
Bank deposits	9 281	1 936
Bills of exchange, cheques received	9	20
Cash in transit	137	225
<b>Total cash</b>	<b>12 754</b>	<b>6 968</b>

The Company's activity by division of operating, investing and financing activities in the statements of cash flows is as follows:

I. Cash flow from operating activities includes:

- 1) Inflow from sales of merchandise, finished products and services
- 2) Inflow included in "other operating revenue" excluding revenue from the sale of fixed assets, which are disclosed in cash flow from investing activities
- 3) Any expenses regarding costs of basic activity, such as: cost of merchandise sold, cost of finished products sold, selling expenses, administrative and general expenses
- 4) Expenses regarding costs included in "other operating expenses" excluding cost of fixed assets sold and cost of unplanned depreciation

II. Cash flow from investing activities includes:

- 1) Inflow from sales of:
  - fixed assets
  - shares and other financial fixed assets
  - short-term securities
- 2) Expenses regarding the purchase of:
  - fixed assets
  - shares and other financial fixed assets
  - short-term securities
- 3) Inflow from payment of short and long term loans granted by the Company to other entities as well as payment of interest on those loans
- 4) Expenses regarding the granting of long term loans to other entities
- 5) Inflow of dividends received
- 6) Interest received on bank deposits

III. Cash flow from financing activities includes:

- 1) Inflow of short and long term credits and loans received
- 2) Expenses regarding:
  - service of loans and credits received
  - payment of loans and credits
  - payment of interest on loans and credits received
- 3) Inflow from own share issues
- 4) Expenses regarding costs of own share issues
- 5) Expenses regarding payment of dividends and other payments to owners
- 6) Any inflow regarding "other financial revenue" except for interest on loans granted, interest on bank deposits and profit from sale of securities held for resale, which are disclosed in investing activities.
- 7) Any expenses regarding "other financial expenses" except for the loss on the sale of securities held for resale, which are disclosed in investing activities

**Adjustment of discrepancies between balance sheet changes of some of the positions and changes of those positions presented in the statements of cash flows.**

**1. Increase in inventory position:**

- difference of balances	8 464
- adjustment for inventory of merged companies	(1 026)
<b>Amount presented in statements of cash flows:</b>	<b>7 438</b>

**2. Increase in receivables position:**

- difference of balances	17 237
- adjustment for mutual settlements of merged companies and Agora S.A.	123
- adjustment for short term loans paid, disclosed in investing activities	146
<b>Amount presented in statements of cash flows:</b>	<b>17 506</b>

<b>3. Increase in short term liabilities:</b>	
- difference of balances	<b>130 176</b>
- transfer of short term credits to financial activities	(69 276)
- transfer of long term credits in the period of payment to financial activities	(39 245)
- adjustment for increase in investment liabilities	(3 038)
- adjustment for mutual settlements of merged companies and Agora S.A.	(2 315)
- transfer of interest on loans received to loan liabilities	(1 940)
<b>Amount presented in statements of cash flows:</b>	<b>14 362</b>
<b>4. Increase in prepaid and accrued expenses:</b>	
- difference of prepaid expenses balances	<b>( 803)</b>
- difference of accrued expenses balances	<b>1 618</b>
- adjustment for prepaid expenses of merged companies	128
- adjustment for accrued expenses of merged companies	( 117)
<b>Amount presented in statements of cash flows:</b>	<b>826</b>
<b>5. Increase in deferred income:</b>	
- difference of balances	<b>4 201</b>
- adjustment for deferred income of merged companies	( 252)
<b>Amount presented in statements of cash flows:</b>	<b>3 949</b>
<b>6. Long term bank credits granted:</b>	
- difference of balances	<b>(39 402)</b>
- adjustment for revaluation of foreign exchange differences	157
- transfer of credit to short term liabilities	39 245
<b>Amount presented in statements of cash flows:</b>	<b>0</b>
<b>7. Long term loans granted:</b>	
- difference of balances	<b>63 129</b>
- adjustment for liabilities from loans owed by merged companies	(57 331)
- adjustment for revaluation of foreign exchange differences	628
- adjustment for accrued interest	(4 695)
<b>Amount presented in statements of cash flows:</b>	<b>1 731</b>
<b>8. Short term bank credits granted:</b>	
- difference of balances	<b>69 276</b>
- adjustment for revaluation of foreign exchange differences	(5 110)
<b>Amount presented in statements of cash flows:</b>	<b>64 166</b>
<b>9. Purchase of shares</b>	
- difference of balances	<b>122 015</b>
- adjustment for the balance of financial assets carried in merged companies	(105 574)
- adjustment for non-cash settlements	( 341)
<b>Amount presented in statements of cash flows:</b>	<b>19 713</b>
<b>10. Long-term loans granted:</b>	
- difference in closing and opening balances:	<b>25 679</b>
- adjustment for loans contributed by companies acquired	(17 264)
- adjustment for accrued interest and foreign exchange differences	(1 300)
- adjustment for provisions for interest and foreign exchange differences	2 368
- adjustment for amount of loans repaid	747
<b>Amount disclosed in cash flow:</b>	<b>10 230</b>
<b>Explanatory notes to selected items of cash flow statement referring to: "Other adjustments", "Other incomes" and "Other expenditure".</b>	
<b>1. "Other adjustments" in cash flow from operating activities:</b>	
- write-off of shares of Agory Gazety Sp z o.o. in Agora Holding Sp. z o.o.	19 070
- settlement of provisions and other financial income	(5 705)
- write-off of provisions	3 955
- other adjustments	( 747)
<b>Amount disclosed in cash flow:</b>	<b>16 573</b>
<b>2. "Other expenditure" in cash flow from investment activities:</b>	
- difference in closing and opening balances of prepaid assets under construction	10 070
<b>Amount disclosed in cash flow:</b>	<b>10 070</b>

## ADDITIONAL EXPLANATORY NOTES

- In 1998 the Company did not invest in „financial instruments” (securities listed in the art. 3 point 3 of Public trading of securities Act) neither was a party to any futures transactions.
- In March 1998 the Company pledged shares of Telewizyjna Korporacja Partycypacyjna SA (TKP SA), which it owns as of balance sheet date, as a security to the bank credit taken by TKP SA in the amount DEM 129,375 thousand.  
TKP S.A. has a dispute with @ Entertainment Inc. relating to setting up joint digital platform. In case of an unfavourable decision the Companies' shareholders may be obliged to pay USD 10 million if TKP S.A. cannot pay. The payment for shareholders would be in proportion to their shareholding.
- The Company does not have any liability to the State, neither to local authorities on acquired buildings.
- In 1998 the Company comprising the Group has not terminated any activity and does not anticipate any termination in the current year.
- The Company produced for its own use microcomputers of the carrying value amounting to PLN 1,982.5 thousand.
- In 1998 the Company spent PLN 124,414 thousand for investments (there was no investment spending on environmental care). In 1999 the Company plans to invest PLN 265 mln, for:
  - building and equipping printing office in Warsaw PLN 80,3 mln,
  - building and equipping printing office in Pile PLN 50,5 mln,
  - extension of printing office (building and machine) in Tychy PLN 70,2 mln,
  - building the Company's headoffice in Warsaw PLN 52,2 mln.
 There are no plans to spend for environmental expenditure.
- In 1998 the Company bought from its subsidiary Agora-Poligrafia Sp.z o.o. printing services amounting to PLN 11,728 thousand. Another significant transaction with Agora-Poligrafia was renting of printing machine - value of the transaction in 1998 was PLN 708.6 thousand.

In 1998 the Company gave loan to the following related parties (PLN thousand):

TKP S.A.	3,424.5
Inforadio Sp. z o.o.	5,372.8
Karolina Sp. z o.o.	700.0
KaroCity Radio Sp. z o.o.	1,383.8

Furthermore, in 1998 the Company bought out debt securities of Agora-Poligrafia Sp. z o.o. for the amount of PLN 32,734.3 thousand, while Agora-Poligrafia bought-out its debt securities from the Company in the amount of PLN 17,400 thousand.

Balance of receivables, payables, loans and debt securities at 31 December 1998

Company's name	% of owned capital	Share of votes in %	Receivables	Payables	Loans gross	Debt
TKP SA	100	100			21 034.0	
Agora-Holding Sp. z o.o.	-	-				
KKK FMSA	49	49	215.1	10.2	712.9	
Jan Babczyszyn						
Radio Jazz Sp. z o.o.	42	42	117.4			184.5
IM-40 Sp. z o.o.	49	49	138.4			635.1
Radio Trefl Sp. z o.o.	49	49	76.8			470.1
Elita Sp. z o.o.	96	96	51.2		372.1	
O'le Sp. z o.o.	100	100	152.1	4.3	48.7	
Agora Poligrafia Sp. z o.o.	100	100	497.2	2 435.8		36 173.4
Inforadio Sp. z o.o.	29.2	29.2	464.1		5 371.2	
Karolina Sp. z o.o.	99.9	99.9	247.4		713.4	
Lokalne Rozgłosnie Radiowe Sp. z o.o.	100	100	5.8		124.6	
City Radio Sp. z o.o.	100	100	46.1			
Biuro Obsluzi Radiowej Sp. z o.o.	46	46	132.4			
Trans-serwis SA	100	100		492.1		
<b>Total</b>			<b>2 146.2</b>	<b>2 942.4</b>	<b>28 376.9</b>	<b>37 463.1</b>

Revenue on transactions with related parties in the period between 1 January 1998 and 31 December 1998 in thousand PLN.

Company's name	Revenue on sale of products and services	Revenue on sale of merchandise and materials	Interest income	Other revenue
TKP SA			1 374.3	
Agora-Holding Sp. z o.o.	7.0			
KKK FM SA	100.0	0.5	59.9	
Jan Babczyszyn				
Radio Jazz Sp. z o.o.	130.5			
IM-40 Sp. z o.o.	292.2	0.5		842.9
Radio Trefl Sp. z o.o.	80.7	0.5		
Elita Sp. z o.o.	90.3	0.5	9.3	
O'le Sp. z o.o.	210.4	0.3	5.6	
Agora Poligrafia Sp. z o.o.	1 110.7	194.6		16 549.0
Inforadio Sp. z o.o.	308.7		215.8	
Karolina Sp. z o.o.	234.7	9.8	5.3	

Revenue on transactions with related parties in the period between 1 January 1998 and 31 December 1998 in thousand PLN.

Company's name	Revenue on sale of products and services	Revenue on sale of merchandise and materials	Interest income	Other revenue
TKP SA			1 374,3	
Agora-Holding Sp. z o.o.	7,0			
KKK FM SA	100,0	0,5	59,9	
Jan Babeczyszyn				
Radio Jazz Sp. z o.o.	130,5			
IM-40 Sp. z o.o.	292,2	0,5		842,9
Radio Trefl Sp. z o.o.	80,7	0,5		
Elita Sp. z o.o.	90,3	0,5	9,3	
O'le Sp. z o.o.	210,4	0,3	5,6	
Agora Poligrafia Sp. z o.o.	1 110,7	194,6		16 549,0
Inforadio Sp. z o.o.	308,7		215,8	
Karolina Sp. z o.o.	234,7	9,8	5,3	
Lokalne Rozgłosnie Radiowe Sp. z o.o.	3,4		5,8	
City Radio Sp. z o.o.	47,2	2,8	141,9	
Biuro Obslugi Radiowej Sp. z o.o.	108,9			
Trans-serwis SA	0,2	1,6		
<b>Total</b>	<b>2 724,9</b>	<b>211,1</b>	<b>1 817,9</b>	<b>17 391,9</b>

Costs related to transactions with related companies during the period of 1 January 98 to 31 December 98 in PLN thousand

Comapany's name	Purchases of products and services	Costs of sold merchandise and materials	Interests	Other costs
TKP SA				
Agora-Holding Sp.z o.o.				
KKK FM SA	66,5	0,5		
Jan Babeczyszyn				
Radio Jazz Sp. z o.o.				
IM-40 Sp. z o.o.	54,2	0,5		725,1
Radio Trefl Sp. z o.o.	0,6	0,5		
Elita Sp. z o.o.	12,4	0,5		
O'le Sp. z o.o.	47,1	0,3		
Agora Poligrafia Sp. z o.o.	12 596,2	184,9		14 761,9
Inforadio Sp. z o.o.				
Karolina Sp. z o.o.	20,1	8,9		
Lokalne Rozglosnie Radiowe Sp. z o.o.				
City Radio Sp. z o.o.	12,3	2,8		
Biuro Obslugi Radiowej Sp. z o.o.	5,8			
Trans-serwis SA	952,3	1,6		
<b>Total</b>	<b>13 767,4</b>	<b>200,5</b>	<b>0,0</b>	<b>15 487,0</b>

8. The Company did not undertake joint ventures with neither subsidiary companies nor with associated entities.

9. Employment.

The average number of employees	2 318
including: - blue collars	69
- white collars	2 249
including: journalists	651

10. Salary paid by the Company in 1998:  
 Board of Director members PLN 731,7 thousand  
 Supervisory Board members PLN 86,0 thousand

The members of the Board of Directors and the members of the Supervisory Board did not receive any salary from the subsidiary companies nor the associated entities.

11. On 31 December 1998 the loan granted by the Company to the Board of Directors members amounted to PLN 2.8 thousand. Loan interest amounts 50% of interest rate for consumption two-years loans in PKO BP. In 1998 the Company did not grant any guarantee and advances to the Board of Directors and Supervisory Board. Subsidiary and associated companies during 1998 did not grant any advances, loans or guarantee to managers and supervisors of the issuing company.

12. In the financial statements of 1998 no events of past years have been presented.

13. Information about significant post balance sheet events.  
 In the period from 29 January to 10 March 1999 the Company offered shares of D, E and F series. Class D shares were offered to employees - Employee Offer, class E shares were publicly offered - Public Offer, while class F shares – were offered to a limited group of people - Limited Offer.
- The Employee Offer was conducted between 29 January and 2 February 1999.  
 Number and face value of shares subscribed amounted to PLN 2,207,025. Total value of the subscription amounted to PLN 2,207,025.
- Public Offer took place between 25 February and 9 March 1999.  
 Number and face value of shares subscribed amounted to PLN 9,000,000.  
 1 125 000 shares were purchased by Cox Poland Investement Inc, according to the Shareholders Agreement at a price equal to the price offered to other investors, other than subscribers of class D of shares.
- In the trench of Big Investors the Company offered 8 212 500 shares. The investors purchased 8 212 500 shares according to the preliminary list of potential buyers of shares and GDRs accepted by the Management Board on 22 February 1999 based on the demand book. Based on the demand book, declared purchases exceeded by ten times the value of the offered shares.
- In the trench of Small Investors the Company offered 787 500 shares. The investors properly paid for 9 930 189 shares, which resulted in 92.07 % reduction.
- The total value of the subscription amounted to PLN 324.000.000.
- The limited offer took place between 5 March and 10 March 1999.  
 The number and face value of shares subscribed amounted to PLN 1,350,000.  
 The total value of the subscription amounted to PLN 48,600,000.
- The total gross proceeds from issue of D,E and F shares amounted to PLN 374 267 025.
- The increase of the share capital by class D shares (by PLN 2,207,25), class E shares (by PLN 9,000,000) and class F shares (by 1,350,000) was registered by the court on 29 March 1999.
- On 12 March 1999 the Company concluded with Bankiem Rozwoju Eksportu SA a credit agreement amounting to PLN 150 mln. Credit will be utilised to finance current operations, investment and alternatively repayments of credits taken in prior years.
- On 25 March 1999 the Company concluded a contract with Building Holding Sp. z o.o for the building of a printing office in Warsaw and Pila. The value of the contracts amounted to PLN 42,182.7 thousands and PLN 39,136.8 thousands, respectively.
- On 16 April 1999 the Company repaid a loan provided by CSFB amounting to 35 mln DM (from the proceeds from the issue of shares).
- On 20 April 1999 Bankers Trust Company informed the Company that it has 13.5% ordinary shares of Agora SA, which guarantees 10.05% votes on General Meeting of Shareholders
14. The legal predecessor of Agora SA was Agora-Gazeta Sp. z o.o and it was transformed on 31 March 1998 from a limited liability company into a public company. The closing balances of the limited liability company Agora-Gazeta Sp. z o.o as of 31 March 1998 are the opening balances of the public company Agora SA as of 1 April 1998.
15. In 1998 the inflation rate was lower than 20% and accordingly financial statements are not adjusted for inflation.
16. The Company has not changed its principles of accounting; it only changed the presentation of revenue on sale of securities. In the Financial Statements for 1997 included in the prospectus revenue on sale of securities was presented as financial income, while financial costs included the value of those securities purchased. In 1998 the net result on the sale and purchase of securities is presented in financial income.
17. In order to make the data comparable the following adjustments were made in the Financial Statements for 1997:

**Financial Income PLN thousands**

Presented in prospectus	672.914,6
Adjustments-value of securities sold at purchase prices	<u>648.847.1</u>
Presented in the above statements	24.067,5

**Financial Costs PLN thousands**

Presented in prodspectus	655.540,0
Adjustments-value of securities sold at purchas prices	<u>648.847.1</u>
Presented in the above	

18. In connection with the potential operating risk resulting from the Year 2000 problem, the Company undertook the following steps:

In the first quarter of 1998 a specialised team was established to verify year 2000 compliance of the computer systems in use and identify those that may be problematic. As a result over 337 computer systems underwent scrutiny. The systems that seem year 2000 non-compliant are being modified to function properly after 31 December 1999. Simultaneously the preparation of the Companies' business partners to the above problem is being investigated. Each significant contractor has been requested to complete year 2000 questionnaire and submit statements confirming their ability to deal with this issue.

Independently of the procedures listed above the Company is preparing emergency procedures concerning the possibility of computer system malfunctioning within the Company as well as non-compliance of systems of its suppliers.

In the third quarter of 1998 a special budget for the products and services linked with the year 2000 problem solution was established amounting to PLN 1.5 mln.

At the end of the first calendar quarter the Year 2000 programme was over 80% completed and its full completion is predicted in the third quarter of 1999. The management of the Company believe that till the end of 1999 the computer systems will have been fully year 2000 compliant and that the Company will have been well prepared to overcome potential problems caused by its business partners due to their year 2000 non-compliance.

**Signatories of all members of the Management Board**

14.04.99, Wanda Rapaczynski, Prezes Zarzadu  
14.04.99, Piotr Niemczycki, Wiceprezes Zarzadu  
14.04.99, Helena Luczywo, Wiceprezes Zarzadu

**Signature of the person responsible for accounts**

14.04.99, Hanna Kossowska, Chief Accountant

## TRANSLATION

### MANAGEMENT DISCUSSION OF 1998 AGORA RESULTS (NONCONSOLIDATED)

Accounting principles applied by Agora Group are based on provisions of Accounting Law dated September 29, 1994 and are described in detail in the annual report. In the opinion of the Management Board, these principles give an accurate and fair description of the Group's fixed and financial assets and its operating results and profitability. Please note, however, that the figures for 1998 are not fully comparable to those for 1997 because of capital reorganization which took place at the beginning of 1998. Whereas the 1997 figures include only Agora-Gazeta, Sp. z o. o., the legal predecessor of Agora SA, starting February 1, 1998 Agora's figures include data from the liquidated and merged companies, Agora-Druk, AC Radio and AC TV.

Moreover, in the nonconsolidated report investments are shown at cost, without provision for material impairment of value. A detailed representation of the impact of these investments on the company's financials is shown in the consolidated report which therefore presents a more complete financial picture of the company.

#### FINANCIAL RESULTS

**Revenue.** The company's most important product is *Gazeta Wyborcza*, the revenues of which represent 95% of all revenue of Agora. The other 5% of revenue is generated by small ventures and sales of products and services to affiliates. Nearly 100% of revenue comes from the Polish market; sales abroad constitute a fraction of one percent of revenue. The most important revenue positions are advertising sales and copy sales which in the aggregate account for nearly 96% of revenue.

In 1998 net revenues were 550.9 million PLN, 32.3% more than in 1997. The rapid rate of revenue growth (given average yoy inflation of 11.8%) reflected ongoing efforts to improve *Gazeta Wyborcza* for both readers and advertisers.

In 1998 average daily copy sales of *Gazeta* grew to 435,877 copies, 6.5% above year previous. Over a fourth or 27.1% of copies sold in the Warsaw market (27.4% in 1997). Most copies are sold at retail points of sale; subscriptions account for only about 10% of circulation. Revenue from copy sales was 107 million PLN, 20.1% more than in 1997 and represented 19.4% of total revenue (21.4% in 1997).

Advertising sales were 418.9 million PLN and grew 36.3% compared to 1997, thus accounting for 76.1% of total revenue (73.8% in 1997). Total advertising space sold in *Gazeta* grew nearly 22% in relation to 1997. The average share of advertising pages to total pages produced was 58.4%, 1.4 percentage points more than during the preceding year. A little over half (50.4%) of all advertising revenues originated from local titles and the remainder from titles with national reach. Share of local revenue declined from 52.8% in 1997.

In addition to ads inserted into *Gazeta* and other titles, in 1998 Agora generated nearly 12 million PLN of revenue from other advertising-related activities, mainly from inserting of pre-printed materials and from mobile billboards.

**Expenses.** In 1998, Agora's most significant expense items by category were raw materials and energy (37% of all operating expenses before D&A), external charges and payroll expense (each representing about 28% of operating expense before D&A). Among raw materials, the most significant position is newsprint and other kinds of paper, which accounted for 86% of material costs; other materials comprise ink, films and offset plates. Among external charges the largest positions reflect cost of production of *Gazeta*, including printing at supplier plants (37.1 mln in 1998), transport of newspapers (6 million PLN), premises leases (8 mln PLN) and telecommunications services (8.4 mln PLN), all shown as cost of goods sold in the income statement presented by type of activity.

In 1998 production volume grew by 26.7% compared to 1997, driven by average pagecount growth of 18.6% combined with total print runs growth of 6.8%. Increased volume translates directly into higher production costs. In consequence, cost of materials grew in 1998 to 137.1 million PLN, nearly 50% more than in 1997 (however, in 1997 some of these costs were borne by Agora-Druk). Newsprint expense grew significantly despite the fact that the unit price grew only by 8.4%, below inflation. In 1998 the proprietary plant and others plants which print *Gazeta Wyborcza* and which are supplied with newsprint for that purpose by Agora, together consumed 57.7 thousand metric tons of newsprint worth 122 million PLN. Newsprint cost was 41% higher than in 1997 and represented 43% (nearly 40% in 1997) of total cost of goods sold. Of total newspaper purchases made by Agora, 86% represents paper for newspaper printing and the remaining 14% coated paper for the Magazine. Other printing materials represent 1.4% of the total operating expense.

In 1998 the cost of printing at supplier plants grew by 34% to 37.1 million PLN and represented nearly 13% of cost of goods sold, on par with 1997. The remaining positions of cost of goods sold, which together account for 44% of that position, grew by an average 23% compared to 1997.

Total payroll expense (aggregated across type of activity) grew significantly. The increase stems from the growth of the company: systematically larger scale of *Gazeta* and new ventures. It also reflects Agora's compensation policy intended to make it competitive in the labor market. In 1998 cost of wages was 73.7 million PLN, 40.4% more than in 1997. Other payroll-related expense, including mandatory social security fringe, training expense and the social fund, amounted to 34.1 million PLN, 40.3% more than in 1997.

Comparative data presented below show for 1997 total employment in Agora-Gazeta, Agora-Druk, AC Radio and AC TV,

consolidated pro forma. In 1998 the average FTE salary grew by 14.7%. At yearend, the company had 2549 permanent employees, as compared to 2321 at yearend 1997, with headcount growth of 9.8%. Among the staff 763 are journalist positions, 184 production jobs and 1602 other general employment. In 1997 these figures were 698, 160 and 1464, respectively.

Other expense was 17 million, no change to 1997. The key items are representation and advertising (10.5 mln PLN) and travel (4.1 million PLN). D&A expense was 17 million, 6% more than in 1997.

In the analysis of expenses by category, the total cost of goods sold in 1998 was 285.7 million PLN, 31.6% more than in 1997. Sales margin was 159.6 million PLN, 41.1% higher than in 1997.

The net of other revenue and expense, which includes other cost items, gifts and changes in provisions, in 1998 amounted to a negative 41.2 million PLN. The most important contributor was the one time payment to Cox Poland Investments, Inc. in the amount of 34.7 million PLN (equivalent of USD 10 million) made pursuant to the Strategic Alliance Agreement between Cox and Agora.

Financial revenue and costs which include primarily interest revenue and expense, results on sale of marketable securities and currency exchange differences, netted in 1998 a negative 13.8 million PLN. This amount includes 19.1 million PLN of non-cash redemption of shares held by Agora in Agora Holding, classified as financial expense.

The net result of extraordinary events, which includes primarily gains and losses on force majeure events amounted to 30.8 thousand PLN.

**Financial results.** The 1998 pretax profit amounted to 104.7 million PLN, 15.4% less than in the preceding year. However, it included two extraordinary items, i.e. payment of 34.7 million to Cox Poland Investments, Inc. and non-cash redemption of shares in the amount of 19.1 million PLN. Pretax profit before these two events was 158.5 million PLN, 28% more than in 1997.

1998 tax bill was 42.3 million PLN. Effective tax rate was 40.4% with statutory rate at 36% (in 1997, 40.1% and 38%, respectively). Non-cash redemption of shares which is classified as a financial expense but is not tax deductible served to increase tax rate paid. Net profit for the year was 62.4 million PLN.

**Balance sheet.** In 1998, long-term assets represented 73% of total assets, up from 37% in 1997. Intangible assets increased by 14 million PLN (including goodwill arising from liquidation and merger of companies of 3.2 million, perpetual usufruct of land rights of 3.7 million and software licenses of 6.7 million). Fixed assets grew by 122 million PLN. The growth was driven primarily by purchase of printing equipment for the Warsaw and Tychy plants (the latter being leased by Agora to Agora Poligrafia) in the amount of 90 million PLN, purchase of land in Bialoleka for 8 million PLN and 20 million PLN growth in premises which includes transfer of Agora-Druk's building to Agora's balance sheet (13 million PLN), as well as leasehold improvements and purchase of building in Łódź.

Financial long term assets (shares and long-term loans made) grew by 147 million. Of these 123 million represented assets of merged companies, while the remainder represents purchases of shares and loans made to affiliates.

Short term assets declined from 63% to 23% of total assets, driven by reduction in short term assets and corresponding increase in long term assets of 28 million PLN. The amount representing marketable securities declined by 48 million as a result of elimination of commercial paper of AC TV and AC Radio pursuant to capital reorganization.

The decline in shareholders' equity from 67% to 52% and the increase in liabilities from 29% to 44% resulted from bridge financing from Credit Suisse. Detailed information regarding the company's debt is presented in Note 18 to annual financial report.

#### **ADDITIONAL INFORMATION**

**Significant contracts and dependence on suppliers and clients.** As a part of its operating activities, the company enters into many agreements and contracts. The most significant are contracts to purchase newsprint and paper, to buy printing services, distribution contracts and agreements for sale of advertising lineage with advertising agencies. Except for the distribution agreement with RUCH SA, the value of none of these represents more than 10% of annual revenue of the company. RUCH is *Gazeta's* main distributor, although its share of the total *Gazeta* circulation is systematically declining. In 1998, 56.2% of all copies of *Gazeta* were sold via RUCH, down from 60% in 1997. The value of copies of *Gazeta* sold via RUCH reached 58 million PLN in 1998, or about 10.5% of total revenues of the company (in 1997, the figures were 49 million PLN and 11.8% of revenues, respectively).

In 1998 Agora finalized an agreement with its shareholder, Cox Poland Investments, Inc., pursuant to which it paid Cox 10 million USD in exchange for Cox' undertaking not to enter into activities in competition with the company in Poland for the period of five years and to allow Agora to participate in its potential Polish and European ventures.

Agora SA as a shareholder in TKP extended security in respect of bank loan to TKP in the amount of DEM 129.4 million, comprising, among other, all shares in TKP held by the company. Agora's liability is pro rata to its percentage ownership in the capital of TKP.

TKP is involved in an arbitration dispute with @Entertainment. If the result of the arbitration is adverse to TKP, the shareholders may become liable for damages of up to USD 10 million, pro rata, should TKP fail to pay said damages.

**Investments.** Pursuant to capital reorganization on March 31, 1998 AC TV, AC Radio and Agora-Druk were liquidated and merged into Agora and all assets of the merged companies were transferred to Agora. In effect, Agora became the owner of 22.5% of shares of TKP, the owner of pay TV channel Canal+ Polska and of shares in 9 radio companies. Among them six were broadcasting radio programs, one (Inforado) was in a start-up phase (it was launched in

March) and two had license applications pending.

During 1998 the company acquired stakes in two more radio companies and became a shareholder in Biuro Obsługi Radiowej Sp. z o.o. which provides radio, TV and advertising services. LRR, a wholly owned radio subsidiary, received a license and started broadcasting a program under the name 103.4 POP FM.

The company and its respective partners financed the radio stations via loans (loans outstanding at year end 1998 were 7.3 million PLN) and by buying commercial paper issued by the stations (the amount of commercial paper on the books of the company at Dec. 31, 1998 was 1.3 million PLN). The repayment dates on these financings are defined by their respective agreements, with the latest repayment by 2005. Detailed information concerning the loans is presented in Additional Explanatory Note 7 to financial statements.

In addition, in 1998 the company made a loan of the equivalent of USD 1 million to TKP.

As a part of the capital reorganization, on February 16, 1998 Agora-Holding contributed to the company its shares in Agora Poligrafia which, pursuant to the requirements of the Special Economic Zone in Tychy had to remain a separate company, and a small packet of shares in BISE. Agora Poligrafia is implementing a portion of the printing project of the Company and to fund the expense it issues commercial paper which is bought by Agora. The total amount of Agora Poligrafia paper held by Agora at December 31, 1998 was 36.2 million PLN.

On July 14, 1998 Agora SA purchased 368,000 shares representing 100% of stock of Trans-Serwis SA for the aggregate amount of 15.4 million PLN. Trans Serwis holds the right of perpetual usufruct on premises located at Czerska street in Warsaw. Since the moment of this purchase, the scope of the Trans-Serwis business activities has been limited.

**Capital expenditures.** In 1998 the company made capital investments related to the expansion of its printing infrastructure. They included printing presses and other equipment for plants in Warsaw, Pila and Bialoleka and those intended for Agora Poligrafia as well as purchases of land in Bialoleka and Pila, for the total of 90 million PLN. This amount represented 72% of all capital expenditures. In 1997 capital expenditures related to printing (presses and other equipment for Warsaw and for Agora Poligrafia) represented about 60% of the total capex.

In 1998 major capex related to information and telecommunications technology amounted to 17 million PLN and constituted another 14% of all capital expenditures. In addition, the company paid 2.6 million PLN for a building in Łódź for a further .7 million PLN for its improvement; it also improved premises it leases for the editorial and advertising offices.

All capital expenditures, with the exception of the purchase of printing presses were financed from operations.

Installments for the presses were financed from drawdowns on loans. The total amount spent on capex in 1998 was 124.4 million, of which 109.6 million came from operations and 14.8 million from bank loans. Comparable figures for 1997 were 56.3, 41.4 and 14.9 million PLN.

**Related party transactions.** Value of several transactions between the company and its related entities exceeded the amount of 500,000 Euro. Details concerning these transactions may be found in the Additional Explanatory Note 7 to financial statements.

**Financing.** The company's activities are funded largely from operations. In 1998 cash from operating activities was 95.2 million PLN and was used chiefly for capital projects. Total 1998 capital expenditures, including completed investments in tangible and intangible assets as well as projects in progress, amounted to 124.4 million PLN (compared to 56.3 million PLN in 1997). Only a fraction of those, primarily fixed assets related to printing, were funded by external financing. The company's long term debt at year end stood at 63.1 million PLN and short term bank debt at 112.4 million. At year end the company held 7 million PLN in cash and 47.6 million PLN in marketable securities.

Year end liquidity ratio stood at 0.8, reflecting high level of capital expenditures, particularly into printing infrastructure, which, compared to 1997, led to a reduction in cash and marketable securities and an increase in short term debt.

In 1998 the company did not encounter problems in meeting its financial obligation and does not anticipate such problems in the future. Bridge financing from Credit Suisse, on which the company drew DEM 35 million, was repaid in full from proceeds from the IPO in April 1999. The RCB loan in the amount of USD 11.2 million is due and payable in December 1999. In the first quarter of 1999 the company completed a public offering of its stock and obtained net proceeds of about 360 million PLN. As an additional liquidity assurance, on March 12, 1999 the company signed a 150 million PLN loan agreement; Agora may draw on the loan until end of February 2001. In combination with cash from operations and proceeds from the IPO the loan fully secures the implementation of the three-year capital investment plan. Expansion of printing infrastructure, construction of Warsaw premises and continued implementation of computer systems are the key components of the plan for which over the next three year the company will spend the total of 580 million PLN.

**Factors and unusual events which affect results.** In 1998, in preparation to the IPO, the company underwent a major capital reorganization. These changes are described in detail in point 21 of the description of accounting principles in the introduction to the annual report. The reorganization caused several significant changes. One, because of liquidation and merger of AC TV, Agora-Druk and AC Radio, the results of 1998 are not fully comparable to the 1997 figures due to elimination of expense, revenue and balance sheet positions and shifting to the Agora balance sheet positions from the balance sheets of the merged companies. Two, present annual report reflects two unusual events which had significant impact on 1998 profits, i.e. one time payment of 34.7 million PLN to Cox Poland Investments, Inc. pursuant to Strategic Alliance Agreement and non-cash redemption of Agora's shares in Agora-Holding in the amount of 19.1 million PLN,

included in financial expense position. Three, in 1998 the company implemented incentive plans for management and outstanding employees pursuant to which payroll expense includes a 1.5 million PLN provision for the payment of the cash element of these plans.

**Transactions with members of the company governing bodies.** Detailed information is provided in Additional Explanatory Notes 10 and 11 of the financial statements.

### **GROWTH OF THE COMPANY**

Further growth of the company is contingent on the continued improvement of market and financial results of *Gazeta Wyborcza*, the company's main business. *Gazeta's* growth depends, in turn, on several important factors.

One, political and economic situation in Poland. Growth of GDP and declining inflation lead to better financial position of individual households and companies and thus to more advertising spending. Consumers' optimism and confidence, which depend on both economic and non-economic factors, lead to growth in consumption which translates directly into growth of advertising spending. The company benefits in two ways: the advertising market grows and consumers are more interested in *Gazeta's* thematic supplements. The company anticipates further growth of the advertising market in 1999. We estimate that the rate of growth will slow down due to weaker GDP growth; however, pension fund reform and increased competition in such market segments as telecommunications and financial services will generate new advertising budgets, masking the secular decline in the rate of growth.

Two, world newsprint and paper prices. Newsprint and paper account for about a third of the company's cost base and changes in unit prices have a direct impact on *Gazeta's* profit margins. Historically, newsprint prices are cyclical and high price cycles affect adversely all publishers. 1998 witnessed relatively low newsprint prices (the last high price phase of the cycle took place in 1994-1996) and the company anticipates that in 1999 the real (euro-denominated) prices will remain stable. In 2000 the industry expectation is for about 5% increase in unit price.

Three, currency exchange rates. The company generates revenues in Polish zloty. Production materials, and most importantly newsprint, are contracted mostly in euro, as are deliveries of equipment for the printing plants. Significant and long lasting weakening of the zloty could have a negative impact on operating profits by causing an increase in the zloty newsprint expense. Weak zloty could also lead to an increase in actual expenditure for capital projects, although in this case the company is somewhat protected by dollar deposits of IPO proceeds.

Four, operating effectiveness and safety. The national-local structure of *Gazeta* and the multiplicity of zoned supplements mean hugely complex daily process of *Gazeta's* preparation and production. This process requires careful planning, disciplined management systems and effective work organization. The company constantly searches for way to improve effectiveness and reliability of key production processes via automation and implementation of modern technologies for pre-press, printing, advertising sales, and distribution of *Gazeta*, as well as of financial planning and management and communications between various operating units and branches of the company.

Five, production technology and capacity. Provision of sufficient production capacity and modern color capabilities is a condition sine qua non for leveraging *Gazeta's* growth opportunities and thus the company's investment priority.

Six, and perhaps most important, the team. In the ten years of its existence the company has hired and trained extremely valuable staff. Maintaining their job satisfaction and loyalty to the company and their further professional growth are key goals of the company. To this end, the company has implemented several programs which broaden stockholding among company's employees, including incentive plans for managers and non-executive star performers and an employee stock purchase program.

#### Strategy for future growth

The company's key priority is to maintain and grow its leadership position in the Polish media market and to grow revenues, margins and cash from operations.

High circulation levels are a cornerstone of this strategy. To achieve it, the company plans to continue improving readership and advertising offers, to consistently implement advertising and pricing strategy and to leverage the unique national-local market approach to attract the broadest possible audience and advertising franchise. In addition, the company intends to further diversify its activities into other, related media. In the opinion of the Management Board, based on financial results achieved heretofore and the dynamic development of the advertising market, the company has a solid chance for continued growth.

The company continues its approach to circulation promotion by focusing on less expensive and very effective method of cooperating with other media, primarily radio, to promote "scoops", i.e. content which appeals to readers. On days when such materials appear, the company experiences 5 - 10% increases in copy sales. Carefully controlled copy pricing strategy designed to increase readership share and continued improvements of *Gazeta* on individual days of the week both serve the goal of high circulation. As an element of this strategy, in April 1999 we offered our readers a new title, *Wysokie Obcasy*, moved TV Guide to Friday and the Magazine which has a strong market position to Thursday.

Important aspect of growing advertising revenue, in addition to thematic diversification on both national and local level, consist of annually fixed advertising rates and systematically growing share of *Gazeta's* color ad pages.

The company plans its activities for each fiscal year based on a detailed annual budget. The planning department prepares monthly actuals and maintains cost discipline. All budget variances are analyzed monthly and reforecasted figures issued based on the analysis. Thus the company is able to maintain a current watch on its operating results and progress of capital projects and is in a position to instantly implement emergency plans, if required.

After the capital reorganization which took place in 1998 the company's organizational structure changed as well. Each of the seven divisions, i.e. Editorial, Publishing, Printing, Finance, Development, Technology, and Admin/HR works with clearly delineated tasks and accountability rules. Such structure significantly facilitates the budgeting, variance analysis and forecasting processes.

The Management Board believes that to maintain its competitive edge and the ability to innovate, the company must keep investing in technology. *Gazeta's* production is fully automated, *Gazeta's* branches and all its printing plants are connected by a modern telecommunications network, and since 1996 the company is in the process of implementing an MIS system MRPII Promix/Ross (Renaissance/Ross) which comprises financial, distribution and production modules. The system has been so far implemented in four domains of the company's activities and five more are currently in progress, including general ledger.

In 1999 the company started implementation of an improved HR/payroll system as well as new data bases which collect data and information generated in other systems operating in the company. These will enable the company to receive current daily reports on copy and advertising sales. The computer systems described above provide timely and reliable management information which serves to improve management discipline and control, as well as long-term planning.

#### **GOVERNING BODIES OF THE COMPANY**

On March 11, 1999 the Extraordinary Meeting of Shareholders passed a resolution to transform Agora Sp. z o. o. into a joint stock company and elected new governing bodies of the company. New, three-member Management Board was appointed for two years, composed of Wanda Rapaczynski, Helena Luczywo and Piotr Niemczycki. The Supervisory Board, composed of Henryka Bochniarz (President), Stanislaw Soltysinski, Wojciech Kostrzewa, Tomasz Sielicki and Dean Eisner was appointed for one year.

As of December 31, 1998 members of the company governing bodies owned the company's stock as follows:

Wanda Rapaczynski: 1 287 150 series B shares with aggregate par value of 1 287 150 PLN

Helena Luczywo: 1 287 150 series B shares with aggregate par value of 1 287 150 PLN

Piotr Niemczycki: 1 761 100 series B shares with aggregate par value of 1 761 100 PLN

Members of the governing bodies do not own stock or shares in other companies which are part of the Agora Group nor did they purchase shares of Agora SA in the IPO.

#### **STOCKHOLDERS AND AGREEMENTS WHICH MAY AFFECT FUTURE SHAREHOLDING STRUCTURE**

Detailed description of the ownership structure for December 31, 1998 and for the date of preparation of the annual report appears in Note 11 and Additional Explanatory Note 13 to the financial statements.

##### **Agreements with affect future structure of ownership:**

1) B Share Lock-up Agreement between brokerage house Dom Maklerski BIG-BG, Agora-Holding and 96 key employees on 29 December, 1998

96 key employees holding 18,865,900 series B shares agreed not to dispose and/or encumber series B shares held by them on the following terms and conditions: after 1 July, 2000 each of them will be entitled to sell not more than 20% of series B shares held by such shareholder and after 1 July of each subsequent calendar year the number of shares which such shareholder will be entitled to sell will increase by an additional 10 per cent. of the total number of series B shares held by each such shareholder.

2) D Share Lock-up Agreement signed by and among brokerage house Dom Maklerski BIG-BG, Agora-Holding and employees on 28 January 1999

According to the terms of the agreement any transfer or encumbrance of 2,178,761 series D shares will be restricted until 1 July, 2000.

3) Preliminary Understanding dated 19 June, 1999 between Agora-Holding and Agora

Agora and Agora-Holding committed to agree details of transfer of 88,264 series D shares to the employees of Agora for the purposes of Agora's employee incentive plans. The transferred shares will be locked-up for two years.

4) Preliminary Understanding dated 28 May, 1999 between Agora-Holding and Agora

The companies agreed to enter into a final agreement providing for the rules of disposition of 90% of the Agora's series B shares by Agora-Holding to the employees of the Agora who agree to transfer restrictions similar to those applying with respect to series B shares described in the point 1) above.

Warsaw, May 6, 1999

Wanda Rapaczynski, President of the Management Board

Piotr Niemczycki, Vice President of the Management Board

Helena Luczywo, Member of the Management Board