

AGORA SA

CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2000 AND 1999
prepared under
INTERNATIONAL ACCOUNTING STANDARDS

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Agora SA**Consolidated balance sheet as at 31 December 2000 with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

		At 31 December	
	<u>Note</u>	2000	1999 restated (note 1)
Assets			
Current assets:			
Cash and cash equivalents	2	47,358	36,357
Short-term securities	3	142,077	209,258
Accounts receivable and prepayments	4	107,702	85,303
Inventories	5	25,666	18,479
		<u>322,803</u>	<u>349,397</u>
Long-term assets:			
Property, plant and equipment	6	663,902	442,316
Intangible assets	7	14,602	18,381
Investments	8	50,196	38,329
		<u>728,700</u>	<u>499,026</u>
Total assets		<u>1,051,503</u>	<u>848,423</u>
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued charges	9	109,950	88,985
Short-term borrowings	10	6,230	-
		<u>116,180</u>	<u>88,985</u>
Long-term liabilities:			
Long-term borrowings	11	84,928	79,101
Deferred income taxes	12	6,077	6,318
		<u>91,005</u>	<u>85,419</u>
Shareholders' equity:			
Share capital	13	56,758	56,758
Share premium		353,646	353,646
Retained earnings and other reserves	14	433,914	263,615
		<u>844,318</u>	<u>674,019</u>
Total liabilities and shareholders' equity		<u>1,051,503</u>	<u>848,423</u>

As described in note 1, the comparative figures for 1999 have been restated to conform with the change in accounting policy with respect to share issue costs.

See accompanying notes to the consolidated financial statements.

Agora SA**Consolidated income statement for the year ended 31 December 2000****with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

		Year ended 31	
		December	
	Note	2000	1999
Sales	15	810,722	689,689
Operating costs	16	<u>(590,043)</u>	<u>(498,421)</u>
Operating profit before other charges		<u>220,679</u>	<u>191,268</u>
Loss on disposal of fixed asset	6	(13,653)	-
Provision for losses on other investments		-	<u>(4,400)</u>
Profit after other non-recurring charges		207,026	186,868
Interest and financial items	18	7,409	3,246
Dividends received	3	<u>10,105</u>	<u>288</u>
Profit before income taxes		224,540	190,402
Income taxes	19	<u>(54,349)</u>	<u>(63,956)</u>
Net profit for the period		<u>170,191</u>	<u>126,446</u>
Earnings per share (in PLN)	20	<u>3,00</u>	<u>2,31</u>

See accompanying notes to the consolidated financial statements.

Agora SA**Consolidated statement of changes in shareholders' equity for the year ended 31****December 2000****with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

	Note	Share capital	Share premium	Retained earnings	Other reserves	Total
At 31 December 1998		44,141	-	128,543	8,625	181,309
Issue of ordinary shares		12,617	-	-	-	12,617
Other movements	14	-	-	7,587	(7,586)	1
Net profit for the year	14	-	-	126,446	-	126,446
Share premium from initial public offering		-	367,138	-	-	367,138
At 31 December 1999 as previously reported		56,758	367,138	262,576	1,039	687,511
Changes in accounting policy	1	-	(13,492)	-	-	(13,492)
At 31 December 1999 restated		56,758	353,646	262,576	1,039	674,019
Net profit for the period		-	-	170,191	-	170,191
Other movements		-	-	-	108	108
At 31 December 2000		56,758	353,646	433,068	1,147	844,318

As described in note 1, the comparative figures for 1999 have been restated to conform with the change in accounting policy with respect to share issue costs.

See accompanying notes to the consolidated financial statements.

Agora SA**Consolidated cash flow statement for the year ended 31 December 2000
with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

		Year ended December	
	Note	2000	1999
Operating activities			
Operating profit before other charges		220,679	191,268
Depreciation of property, plant and equipment		49,244	39,260
Amortisation of intangible assets		3,782	6,684
Loss on disposal of property, plant and equipment		2,373	2,521
		<u>276,078</u>	<u>239,733</u>
Movement in operating working capital	21	<u>(14,610)</u>	<u>(2,353)</u>
Net cash inflow before interest and tax		261,468	237,380
Interest received		4,878	6,973
Interest and other financing costs paid		(253)	(5,389)
Foreign exchange translation		(2,014)	17,402
Tax paid		<u>(48,106)</u>	<u>(62,375)</u>
Net cash from operating activities		215,973	193,991
Investing activities			
Capital expenditure, net		(285,364)	(204,572)
Acquisition of subsidiary undertaking, net of cash acquired		-	-
Increase of long-term investments, net		(13,834)	(4,942)
Redemption/(acquisition) of short-term securities		89,193	(207,889)
Result on forward foreign exchange, future interest rate contracts		1,339	4,547
Dividends received		<u>10,105</u>	<u>288</u>
Net cash used in investing activities		(198,561)	(412,568)
Financing activities			
Increase / (decrease) in borrowings		-	(123,304)
Public offering equity contributions		-	379,755
Public offering expenditure		-	(18,760)
Net cash paid on cross-currency		<u>(6,411)</u>	<u>-</u>
Net cash from financing activities		(6,411)	237,691
Change in cash and cash equivalents		<u>11,001</u>	<u>19,114</u>
Movements in cash and cash equivalents			
At start of period		36,357	17,243
Increase		<u>11,001</u>	<u>19,114</u>
At end of period		<u>47,358</u>	<u>36,357</u>

See accompanying notes to the consolidated financial statements.

Agora SA

Notes to the consolidated financial statements for the year ended 31 December 2000 with comparative figures for 1999

(all amounts in PLN thousands unless otherwise indicated)

General information

Agora SA ("the Company") principally produces, sells and promotes the Gazeta Wyborcza daily newspaper and other print media in Poland. The Company operates in all the major cities in Poland and employs over 3,200 people.

1. Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. There have been no significant changes in these policies during the period presented other than described below.

Basis of preparation

The consolidated financial statements of the Agora SA Group ("the Group") are prepared in accordance with International Accounting Standards and under the historical cost convention.

Change in accounting policy

During the year, management of the Company adopted the recommendation SIC-17 of the Standing Interpretations Committee of International Accounting Standards and IAS no. 32 which requires that costs associated with the public offering of shares of a company, net of any tax savings, be netted against proceeds from the share issue. Accordingly, as at 31 December 1999, intangible assets and the deferred income tax liability were decreased by PLN 18,502 thousand and PLN 5,010 thousand, respectively, and shareholders' equity (share premium) was decreased by PLN 13,492 thousand.

Translation of foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions, set either by the Company's bank, the National Bank of Poland or customs authorities as appropriate. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, unless directly related to investments in property, plant and equipment, in which case they are capitalised. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to PLN at the foreign exchange rate ruling at that date.

Deferred income taxes

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The principal temporary differences arise from depreciation on property, plant and equipment, tax losses carried forward and various transactions not considered to be taxable or tax-deductible until settlement.

Receivables

Receivables are stated at nominal value less valuation adjustments to cover likely risks of non-recovery.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the first-in, first-out (FIFO) method.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

1. Significant accounting policies (continued)

Property, plant and equipment

Cost comprises costs incurred in their purchase or manufacture and includes capitalised financing costs.

Depreciation is calculated on the straight line method or on the reducing balance method to write off the cost of each asset over its estimated useful life, with the exception low-value assets which are written off completely when brought into use. Estimated useful lives of property, plant and equipment, by significant class of asset, are as follows:

Buildings	10 - 40 years
Plant and machinery	2 - 20 years
Other equipment and motor vehicles	4 - 7 years

During the year, new estimated useful lives of 6 to 16 years with 10% residual value in a few cases, were determined for printing presses, while the useful live of previously existing presses did not exceed 10 years.

Gains or losses on the disposal of fixed assets are determined as the difference between the sales price and the net book value of the asset at the date of disposal.

Payments made under operating leases are charged to the income statement in equal instalments over the period of the lease.

Repairs and renewals are charged to the income statement when the expenditure is incurred; improvements are capitalised when incurred.

Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated undertaking at the date of acquisition. Goodwill on acquisitions of subsidiary undertakings is reported in the balance sheet as an intangible asset. Goodwill on investments in associated undertakings, to the extent that it is not already amortised, is separately disclosed as part of the carrying value of the investments. Goodwill is amortised using the straight-line method over five years.

Other intangible assets are being amortised on a straight line basis over a period of three to five years.

Investments

Short-term investments are stated at cost plus premiums accruing to the balance sheet date, which approximates to market value; movements on their valuation are recorded in income.

Investments in shares of Polish investment funds that pay monthly dividends are stated at cost which approximates their fair market value.

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Notes to the consolidated financial statements for the year ended 31 December 2000 with comparative figures for 1999

(all amounts in PLN thousands unless otherwise indicated)

Long-term investments are stated at historical cost less allowances for permanent diminution in value.

Methods of revenue recognition

Sales are recorded for amounts receivable for goods sold at the date of shipment and services provided in accordance with contract terms, less related distribution costs, returns and sales taxes.

Borrowing costs

Interest and other costs of borrowings are recorded in income statement, unless directly related to investments in property, plant and equipment, in which case they are capitalised.

1. Significant accounting policies (continued)

Employee plans

The Company's employee incentive scheme provides for performance related remuneration of management level and non executive high performing employees in the form of a cash bonus and restricted stock. The cost arising from the discretionary scheme, comprising the amount of cash bonus and the fair value of the subsidised shares, less employees' contributions thereto, is estimated and accrued over the performance measurement period, and adjusted for final awards once determined.

Related parties

Significant transactions, balances, and other arrangements with related parties are disclosed separately in the financial statements. For the purposes of these financial statements, related parties comprise shareholders, subsidiary and associated undertakings, members of the Management and Supervisory Boards of the Group entities and their immediate family, and entities under their control.

2. Cash and cash equivalents

	2000	1999
Cash at bank and in hand	341	262
Short-term bank deposits	37,632	31,285
Treasury bills	9,385	4,810
	<u>47,358</u>	<u>36,357</u>

Included in cash and deposits are sundry amounts held in accounts restricted for the benefit of employees and in respect of liabilities arising from the use of corporate credit cards.

Agora SA**Notes to the consolidated financial statements for the year ended 31 December 2000
with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

3. Short-term securities

	<u>2000</u>	<u>1999</u>
Short-term commercial papers	41,077	141,907
Treasury bonds	-	66,351
Shares in investment funds	<u>101,000</u>	<u>1,000</u>
	<u>142,077</u>	<u>209,258</u>

Shares in money market (risk free) investment funds are purchased and sold based on cash flow needs. During the year, the Company received PLN 8,381 thousand of dividends (1999 – nil) from such investments.

4. Accounts receivable and prepayments

	<u>2000</u>	<u>1999</u>
Trade Receivables	91,854	63,105
Other Receivables	11,359	7,502
Prepayments and accrued income	1,348	1,035
Income taxes	6	5,612
Other taxes and social security	<u>3,135</u>	<u>8,049</u>
	<u>107,702</u>	<u>85,303</u>

All receivables fall due within one year.

Trade receivables include amounts due from related entities arising from normal trading operations of PLN 2,353 thousand (31 December 1999: PLN 2,033 thousand).

5. Inventories

	<u>2000</u>	<u>1999</u>
Raw materials and consumables	19,094	17,795
Finished goods and goods for resale	<u>6,572</u>	<u>684</u>
	<u>25,666</u>	<u>18,479</u>

The balance of finished goods and goods for resale as at 31 December 2000 includes a printing press that is no longer in use and has been offered for resale. The carrying cost of the asset is PLN 5,927 thousand, which includes the net book value of the equipment when removed from use of PLN 4,778 thousand, and capitalised removal costs of PLN 1,149 thousand.

Agora SA**Notes to the consolidated financial statements for the year ended 31 December 2000
with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

6. Property, plant and equipment

	Land and buildings	Plant, machinery and equipment	Assets under construction	Total
Year ended 31 December 2000				
Opening net book amount	71,131	125,477	127,880	324,488
Additions	110,848	368,194	381,098	860,140
Disposals and adjustments	(13,426)	(38,657)	(443,522)	(495,605)
Depreciation charge	(4,051)	(45,193)	-	(49,244)
Closing net book amount	<u>164,502</u>	<u>409,821</u>	<u>65,456</u>	<u>639,779</u>
At 31 December 2000				
Cost	174,276	517,114	65,456	756,846
Accumulated depreciation	(9,774)	(107,293)	-	(117,067)
	<u>164,502</u>	<u>409,821</u>	<u>65,456</u>	<u>639,779</u>
Prepayments for property, plant and equipment	-	-	-	24,123
Net book amount	<u>164,502</u>	<u>409,821</u>	<u>65,456</u>	<u>663,902</u>

All assets included above were owned by the Group.

During the year, the building at which the Company's old Warsaw printing plant were located was deconstructed so as to make way for construction of new facilities which are expected to be completed in 2002 (note 23). The net book value of the old building of PLN 13,653 at the time of demolition has been charged to operating results as a non-recurring item.

	Land and buildings	Plant, machinery and equipment	Assets under construction	Total
Year ended 31 December 1999				
Opening net book amount per accounts of 31 December 1998	74,977	132,321	1,096	208,394
Adjustments for an error:	(6,077)	-	5,226	(851)
Opening net book amount	68,900	132,321	6,322	207,543
Additions	7,384	30,165	129,579	167,128
Disposals and adjustments	(2,216)	(686)	(8,021)	(10,923)
Depreciation charge	(2,937)	(36,323)	-	(39,260)
Closing net book amount	<u>71,131</u>	<u>125,477</u>	<u>127,880</u>	<u>324,488</u>
At 31 December 1999				
Cost	79,362	219,655	127,880	426,897
Accumulated depreciation	(8,231)	(94,178)	-	(102,409)
	<u>71,131</u>	<u>125,477</u>	<u>127,880</u>	<u>324,488</u>
Prepayments for property, plant and equipment	-	-	-	117,828
Net book amount	<u>71,131</u>	<u>125,477</u>	<u>127,880</u>	<u>442,316</u>

Agora SA**Notes to the consolidated financial statements for the year ended 31 December 2000
with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

7. Intangible assets

	<u>Goodwill</u>	<u>Other intangible assets</u>	<u>Total</u>
Year ended 31 December 2000			
Opening net book amount	6,845	11,536	18,381
Additions		1,036	1,036
Amortisation charge	(2,337)	(1,445)	(3,782)
Disposals and adjustments		(1,033)	(1,033)
Closing net book amount	<u>4,508</u>	<u>10 094</u>	<u>14,602</u>
At 31 December 2000			
Cost	11,735	14,324	26,059
Accumulated depreciation	<u>(7,227)</u>	<u>(4,230)</u>	<u>(11,457)</u>
Net book amount	<u>4,508</u>	<u>10 094</u>	<u>14,602</u>
	<u>Goodwill</u>	<u>Other intangible assets</u>	<u>Total</u>
Year ended 31 December 1999			
Opening net book amount	9,192	12,826	22,018
Additions	-	207	207
Amortisation charge	(2,347)	(1,492)	(3,839)
Disposals and adjustments	<u>-</u>	<u>5</u>	<u>(5)</u>
Closing net book amount	<u>6,845</u>	<u>11,536</u>	<u>18,381</u>
At 31 December 1999			
Cost	11,735	14,320	26,055
Accumulated depreciation	<u>(4,890)</u>	<u>(2,784)</u>	<u>(7,674)</u>
Net book amount	<u>6,845</u>	<u>11,536</u>	<u>18,381</u>

As described in note 1, the comparative figures for 1999 have been restated to conform with the change in accounting policy with respect to share issue costs.

Agora SA**Notes to the consolidated financial statements for the year ended 31 December 2000
with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

8. Investments

	<u>Other investments</u>
Year ended 31 December 2000	
Opening net book amount	38,329
Additions	15,042
Disposals and adjustments	(3,175)
Provision for loss on other investment	-
Closing net book amount	<u>50,196</u>
	<u>Other investments</u>
Year ended 31 December 1999	
Opening net book amount	31,464
Additions	34,367
Disposals and adjustments	(469)
Repayment of loan to TKP	(22,633)
Provision for loss on other investment	(4,400)
Closing net book amount	<u>38,329</u>

As of 31 December 2000 and 31 December 1999 investments include a 12.12% interest in the share capital of Telewizyjna Korporacja Partycypacyjna S.A. ("TKP"), an entity registered in Poland which holds controlling interests in entities providing pay-television broadcasting services, with a net book value totalling PLN 22,492 thousand (purchase cost PLN 121,009 thousand). The shares in TKP S.A. held by the Group, being 49% of class B ordinary shares in TKP can be exchanged for a long term loan as disclosed in note 11.

Other than the referred to above, other investments comprise equity interests in and loans to other related entities.

9. Accounts payable and accrued charges

	<u>2000</u>	<u>1999</u>
Trade payables	76,494	67,923
Income taxes	893	15
Other taxes and social security	8,933	4,958
Other payables	7,441	5,638
Accruals and deferred income	16,189	10,451
	<u>109,950</u>	<u>88,985</u>

All amounts fall due within one year.

Included in accruals and deferred income is PLN 3,048 thousand set aside for the benefit of the individual Group entities' employees incentive plan.

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Notes to the consolidated financial statements for the year ended 31 December 2000 with comparative figures for 1999

(all amounts in PLN thousands unless otherwise indicated)

10. Short-term borrowings

The amount of PLN 6,230 presented as short-term borrowings consists of a cross-currency loan which was settled in January 2001, as more fully described in note 11.

In February 2001 the Company signed an amendment to the agreement for a line of credit with BRE Bank SA for the amount of PLN 150 million. The facility is now granted to 28 February 2004, to be repaid in four quarterly instalments in 2004, and can be used for financing current activities and investments. As at 31 December 2000 the previously authorised line of credit was not drawn upon.

11. Long-term borrowings

	2000	1999
Unsecured loan from a minority shareholder	83,376	79,101
Total net liabilities from cross-currency loan	7,782	-
Less: net liability repaid in January 2001	(6,230)	-
Long-term net liability from cross-currency loan	1,552	-
Total long term liabilities	84,928	79,101

Unsecured loan payable after five years comprise a loan of USD 20,123 thousand (31 December 1999: USD 19,068 thousand) from shareholder Cox Poland Investments, Inc. which is repayable in 2007 or may be exchanged (principal and interest) for 49% of Agora's class B ordinary shares in TKP. The annual rate of interest is 6.31% and interest is payable when the principal becomes due.

Net liabilities arising from cross-currency loan consist of two loans payable to a bank in the aggregate amount of PLN 122,607 thousand, net of deposits receivable from the same bank in the aggregate amount of PLN 114,825 thousand (the PLN equivalent of EURO 29,791 thousand converted at the year-end rate). The loans payable bear interest at 17.21 % and 18.12% respectively, and the deposits earn interest at 5.19% and 5.26% respectively. The loans are repayable in aggregate monthly blended instalments of PLN 4,838 thousand, which are settled simultaneously by aggregate monthly blended refunds of deposits of EURO 1,000 thousand.

In January 2001, the Company negotiated settlement of the loan, which had a net payable position of PLN 6,230 thousand, for a net amount of approximately PLN 7,703 thousand. The net liability has been presented as current short-term borrowings at 31 December 2000, and the loss on settlement of the net liability has been recorded as a financial expense in 2001.

The remaining loan is being repaid in blended monthly instalments of PLN 2,345 thousand and the deposit is being repaid in blended monthly refunds of EURO 500 thousand.

12. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a principal rate of 28% (1999: 30%) as follows:

	2000	1999
Accelerated tax depreciation and similar	21,457	19,886
Other tax assets	(15,380)	(13,568)
	6,077	6,318

Agora SA

**Notes to the consolidated financial statements for the year ended 31 December 2000
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(all amounts in PLN thousands unless otherwise indicated)

As described in note 1, the comparative figures for 1999 have been restated to conform with the change in accounting policy with respect to share issue costs.

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Notes to the consolidated financial statements for the year ended 31 December 2000 with comparative figures for 1999

(all amounts in PLN thousands unless otherwise indicated)

13. Share capital

Number of shares as at 31 December 2000

	Issued 31 December 2000	Issued 31 December 1999
"Registered A" shares of PLN 1.00 each	4,281,600	4,281,600
"Registered B" shares of PLN 1.00 each	39,108,900	39,108,900
"Registered C" shares of PLN 1.00 each	750,000	750,000
"Registered D" shares of PLN 1.00 each	2,267,025	2,267,025
"Bearer E" shares of PLN 1.00 each	9,000,000	9,000,000
"Bearer F" shares of PLN 1.00 each	1,350,000	1,350,000
	<u>56,757,525</u>	<u>56,757,525</u>

Each Registered A share carries five votes at general meetings; Registered B shares carry one vote each and Registered C shares carry up to five votes each limited to the overall percentage of shares owned. All the authorised and issued shares are fully paid up.

Each D, E, F share carries one vote at a general meeting.

14. Retained earnings and other reserves

Dividends

The Management Board does not propose to pay dividends in respect of profits for the year ended 31 December 2000.

At the Annual General Meeting held to approve the Company's statutory financial statements for the year ended 31 December 1999 the shareholders resolved that no dividend would be paid in respect of 1999 retained earnings.

Retained earnings, as reported in accordance with Polish accounting regulations, may be distributed subject to certain minimum capital maintenance restrictions. Under the Statute of the Company, approval of a three-quarters majority vote of shareholders at the annual general meeting of shareholders is required to distribute retained earnings.

15. Sales and segment information

(a) Segment information

Substantially all the Group's sales and operating profit are derived from the principal activity of the copy sales and advertising sales of the Gazeta Wyborcza newspaper and other print media in Poland. The Group commenced its activities in radio broadcasting in 1996, through numerous investments in local and one super-regional radio station in Poland. The financial statements of the related entities have not been consolidated with those of the Group as the impact of the operations, results and cash flows of these activities is not material to consolidated financial statements, taken as a whole. The Group's sole activity in television broadcasting has been the investment in 1997 in TKP (Note8).

In January 2000 the Group announced its Internet strategy which was followed up by setting up a new horizontal portal www.gazeta.pl, which will generate revenue from advertising and, over time, e-commerce.

Agora SA**Notes to the consolidated financial statements for the year ended 31 December 2000
with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

All the Group's assets are located in Poland and, other than the radio and television broadcasting-related investments referred to above, represent substantially those of the newspaper business.

(b) Sales information

	<u>2000</u>	<u>1999</u>
Sales of newspapers and other goods	155,521	137,297
Sales of advertising and other services	642,039	540,178
Other sales	<u>13,162</u>	<u>12,214</u>
	<u>810,722</u>	<u>689,689</u>

Included in sales of advertising and other services are barter sales of PLN 5,458 thousand (for 1999: PLN 4,611 thousand).

16. Operating costs

	<u>2000</u>	<u>1999</u>
Raw materials and consumables	185,505	177,032
Other external charges	172,461	136,112
Staff costs (Note 17)	179,051	139,333
Depreciation of property, plant and equipment	49,244	39,260
Amortisation of intangible assets	<u>3,782</u>	<u>6,684</u>
	<u>590,043</u>	<u>498,421</u>
Other external charges include the following items:		
Property operating lease rentals	8,034	10,930
Foreign exchange losses/gains	(812)	1,297

Agora SA**Notes to the consolidated financial statements for the year ended 31 December 2000
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(all amounts in PLN thousands unless otherwise indicated)

17. Staff costs

	<u>2000</u>	<u>1999</u>
Wages and salaries	145,319	115,275
Social security costs	30,259	23,034
Employee incentive scheme costs	3,473	1,024
	<u>179,051</u>	<u>139,333</u>
Average number of persons employed	<u>3,258</u>	<u>2,766</u>

Directors' remuneration and other benefits

Remuneration of Management Board members paid pursuant to employment contracts amounted to PLN 2,636 thousand (31 December 1999: PLN 1,915 thousand). The remuneration reflects growth of Management Board from 3 to 4 members, and also contains non recurring expenses (approximately PLN 300 thousand) related to personal changes in the Management Board in first half of the 2000.

18. Interest and financial items

	<u>2000</u>	<u>1999</u>
Interest income	4,878	6,996
Income, other than dividends, from short-term investments	22,012	78
Net gains on foreign exchange, future interest rate contracts	-	4,547
Foreign exchange translation gains	-	1,271
	<u>26,890</u>	<u>12,892</u>
Interest and other expenses:		
Interest on unsecured loan from minority shareholder (note 11)	(4,359)	(5,228)
Net interest expense on cross-currency loan (note 11)	(5,967)	-
Foreign exchange losses on deposits receivable (note 11)	(6,081)	-
Net losses on foreign exchange, future interest rate contracts	(807)	-
Interest on overdrafts and other short-term borrowings	-	(3,522)
Foreign exchange translation losses	(2,014)	-
Other financing costs	(253)	(896)
	<u>(19,481)</u>	<u>(9,646)</u>
	<u>7,409</u>	<u>3,246</u>

Foreign exchange losses on deposits receivable related to cross-currency loan (note 11) include unrealised foreign exchange losses of PLN 5.7 millions.

Agora SA

Notes to the consolidated financial statements for the year ended 31 December 2000 with comparative figures for 1999

(all amounts in PLN thousands unless otherwise indicated)

19. Income taxes

	2000	1999
Current domestic income taxes	54,590	59,658
Deferred income taxes	(241)	4,298
	<u>54,349</u>	<u>63,956</u>

Effective income tax rates are reconciled to the statutory domestic income tax rate as follows:

		2000	1999
Statutory rate:	(%)	30.0	34.0
Tax relief on profits from printing plant in special economic zone in Tychy	(%)	(4.5)	-
Tax effect of the balance of permanent differences	(%)	<u>(1.3)</u>	<u>(0.4)</u>
Effective income tax rate	(%)	24.2	33.6

20. Earnings per share

Earnings per share has been calculated based on the number of shares issued for the current period and on the weighted average of the number of shares issued for the previous period, that is 56,757,525 and 54,853,606 shares as at 31 December 2000 and 31 December, 1999 respectively.

21. Cash Flows: movement in operating working capital

Movement in operating working capital comprises

	2000	1999
Increase in inventories	(2 409)	(1,562)
Increase in receivables	(26 083)	(13,939)
Increase in payables	13 882	13,148
	<u>(14 610)</u>	<u>(2,353)</u>

22. Financial risk management

Credit risk

Financial assets which potentially subject the Group to concentrations of credit risk consist principally of cash, short-term deposits, short-term investments held for resale and trade receivables. The Group's cash equivalents are placed with high credit quality financial institutions, as well as with the National Bank of Poland or with related entities.

Trade receivables are presented net of the allowance for doubtful receivables. Credit risk with respect to trade receivables is limited due to the large numbers of customers comprising the Group's customer base and their dispersion across different industries. Accordingly, the Group has no significant concentration of credit risk.

Agora SA

Notes to the consolidated financial statements for the year ended 31 December 2000 with comparative figures for 1999

(all amounts in PLN thousands unless otherwise indicated)

Exchange rate risk

There are no significant trade receivables denominated in foreign currency. Accounts payable requiring settlement in foreign currency amounted to PLN 38,273 thousand payable principally in German marks/Euros, and Swiss Francs.

The exchange rate of the Polish Zloty with foreign currencies until 12 April 2000 was largely governed by the National Bank of Poland through a crawling peg system as calculated against a basket of major currencies, after that date the exchange rate is free and market regulated.

The Group has a potential currency exposure since it has Western-currency commitments pursuant to equipment contracts and it purchases newsprint from outside of Poland in Euros.

The Company manages its foreign exchange risk by purchasing foreign currency forward contracts and undertaking other financial instruments such as cross-currency loan (as described in note 11) as a general hedge against such risk.

In addition, it has outstanding forward contracts due on 6 March 2001 to buy and sell USD 1 million and EURO 1 million at agreed-upon fixed rates of 4.5490, 4.5620 for USD and 4.0480; 4.0740 for EURO respectively. Agora has also three year long foreign currency contract ending in July 2003. Following it Agora was supposed to buy EURO 500,000 for the amount of PLN 2,429 thousand. The transactions were to be carried out every month for the 36 consequent months starting with 15 July 2000. In January 2001 the transaction was suspended for a period till 15 August 2002.

Interest rate risk

The Group's short-term deposits and short-term securities are at variable interest rates specific to liquid financial instruments of minimum risk, as well as fixed rates of interest and premium on redemption. All the deposits and securities mature within one year.

The fixed interest rate on the Group's debt are presented in a note 11.

23. Capital commitments

Contractual capital commitments existing at the date of signing the financial statements amounted to PLN 173,381 thousand.

As of 31 December 2000 future capital expenditures budgeted by the Group for the following 12 months amounted to PLN 278,000 thousand.

On 7 July 2000 Agora SA entered into an agreement with Porr Polska SA (General Constructor) for the construction of the new premises. According to the terms of the agreement, the construction works are to be completed by 12 August 2002 and will be split into two phases. Phase I is to be completed by 17 December 2001 and Phase II by 12 August 2002.

The lump sum contract price amounts to PLN 152 millions. The contract is accounted for in the contractual capital commitments amount presented above.

24. Contingencies

As of 31 December 2000 the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

Guarantees

Agora SA

Notes to the consolidated financial statements for the year ended 31 December 2000 with comparative figures for 1999

(all amounts in PLN thousands unless otherwise indicated)

Agora guaranteed repayment of a 63.23% of a loan, totalling PLN 8,220 thousand, taken by Inforadio Sp. z o.o. (an associate) and same percentage of any interest or costs incurred by a bank providing the loan.

Agora guaranteed also loans taken by two other subsidiaries: Trefl Sp. z o.o., Biuro Obslugi Radiowej Sp. z o.o., amounting to PLN 500 thousand and PLN 800 thousand, respectively.

@ Entertainment Arbitration

The Arbitration Tribunal of the International Chamber of Commerce on 26 June, 2000 agreed the claims for damages by Telewizyjna Korporacja Partycypacyjna S.A. ("TKP"), Agora SA, Canal+ S.A. and Polcom Invest S.A. against @Entertainment for the amount of \$10 million, plus interest and return of legal and arbitration costs. The counterclaims of @Entertainment were rejected. The above proceeding relates to the letter of intent of 17 February, 1998 signed by TKP, Agora S.A., Canal+ and Polcom Invest S.A. and @Entertainment regarding @Entertainment's investment in TKP. The matter is described in Chapter 5, item 10.1.2. of Agora's prospectus.

With regard to this dispute, Agora's share of the contingent liability of 22.5 % of any judgement against TKP had been disclosed but no provisions with respect to this matter had been made and the aforementioned decision removes the contingent liability. Agora did not recognise any income resulting from that event, either.

Insurance

The operations and earnings of the Group continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments. The industries in which the Group is engaged are also subject to physical risks of various kinds. The nature and frequency of the developments and events, not all of which are covered by insurance, as well as their effect on future operations and earnings are not predictable.

25. Commitments under operating leases

The future minimum lease payments under non-cancellable operating leases are primarily for land and buildings and are summarised as follows:

	2000	1999
Within one year	12,718	14,115
Between:		
one and two years	3,618	9,110
two and three years	3,096	2,726
three and four years	1,744	2,336
four and five years	1,191	1,870
later than five years	2,597	2,760
Total minimum payments	<u>24,964</u>	<u>32,917</u>

The amounts disclosed above include 22% VAT that the Group will be able to recover.

26. Post-balance sheet events

On 26 March 2001 Agora SA announced a tender offer for the acquisition of shares in Art Marketing Syndicate SA ("AMS") at a price of 60 PLN per share in cash. The tender offer is to be open on April 2, 2001 and remain open until April 11, 2001.

Agora SA

Notes to the consolidated financial statements for the year ended 31 December 2000 with comparative figures for 1999

(all amounts in PLN thousands unless otherwise indicated)

The tender has been announced in order to make it possible for the Company to obtain a degree of influence on the activities of AMS by acquiring 1.254.000 shares constituting 24.99% of the total number of votes at the Shareholders' Meeting of AMS and 29.74% of the share capital of AMS. If conditions are favourable, in particular if there appears a real possibility of obtaining a significant influence on the activity of AMS through an acquisition of large stakes of AMS' shares at a reasonable price, the Company will consider an increase of its share in the share capital of AMS, after obtaining the necessary permission from the Polish Securities and Exchanges Commission and the President of the Office for Protection of Competition and Consumers and satisfying all other legal requirements. Until that time, the Company intends to be a minority investor in AMS.

Agora increased the price to 63 PLN per share on 9 April and later on 10 April 2001 the price was increased to 70 PLN per share in cash.

Independent Auditors' Report to the shareholders of Agora SA

Scope

We have audited the accompanying consolidated balance sheet of Agora SA (“the Company”, collectively, “the Group”) as of 31 December 2000, and the related consolidated statements of income and cash flows for the year then ended.

Respective responsibilities of directors and auditors

These consolidated financial statements are the responsibility of the directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements of Agora SA give a true and fair view of the financial position of the Group as of 31 December 2000, and of the results of its operations and cash flows for the year then ended, in accordance with International Accounting Standards as promulgated by the International Accounting Standards Committee.

12 April 2001

Warsaw

To Agora Shareholders:

When we founded Agora and *Gazeta Wyborcza* twelve years ago, this is how Adam Michnik defined our mission: „We want *Gazeta Wyborcza* to be a newspaper of a Poland that is part of a new world order: democratic and sensible, enterprising and outgoing, tolerant and open.” Our mission statement, created in the spring of 1990, defined editorial independence as the overriding objective while pointing out that financial independence is its surest guarantee.

On these two cornerstones we built a powerful newspaper – a significant voice in Polish public life and a major business enterprise. When we look back, we are proudest of the fact that we were able to combine the fulfillment of public mission with a successful business, doing good and doing well, thus effectively protecting *Gazeta's* independence.

Now we are taking the next step forward. At the beginning of this year we announced the strategy for Agora's growth; its implementation is now underway. We intend to become involved in other media sectors and new lines of business in print, in Internet, in outdoor advertising and in broadcast media. The growth will occur largely via mergers and acquisitions. The Polish market will be our first priority, but we will also look carefully at opportunities outside of Poland, primarily in Central Europe.

Why elect expansion instead of peaceably collecting the fruits of our past successes? We are a public company and our main job is to keep building shareholder value. Poland's advertising market is maturing; it has made significant progress in catching up with the West. Therefore we doubt the return of the halcyon days of 50% annual growth of advertising spending and must reach for new businesses in other segments of the media market. The date of Poland's accession to EU is approaching and the competition for media properties in Poland is heating up. To become a player with a vote in the European consolidation, over the next 2-3 years we need to significantly broaden the base of Agora's operations. Internet – though currently out of favor with investors – is undoubtedly a revolution. It creates both new threats and new opportunities, and thus forces a change of thinking about media. We are confident that now that the Internet gold rush is finally over, the emergence of a new business paradigm and an orderly development of this market is only a matter of time. We want to be ready when it comes – carefully investing in building Agora's position and gathering useful assets in the form of a range of media enterprises.

Our proven track record of business success is not limited to the press market. A few years ago we began investing in local radio stations. Today we are the number one local radio player and the third largest commercial radio enterprise in Poland. It is worth noting that we not only built a solid market position and revenue base; first and foremost, we have led the charge to modernize Polish radio and, at the risk of appearing immodest, have been the engine of growth of the local radio market. We only regret that our contribution has not been fully recognized by the broadcast media regulator who, we believe, pays insufficient attention to the development of the Polish media market.

We will be implementing our development program under market conditions that, on first sight, appear unfavorable. The Internet bubble has burst, the US economy is no longer booming, the downturn of stock markets worldwide has turned off investors, capital market liquidity has dried up, and the dreaded word „recession” has resurfaced. The situation in Poland is not great, either; after years of growth, the economy has slowed down owing to a combination of global and local factors and Polish companies have been reporting weaker performance for 2000. Perhaps the situation will improve in six months; perhaps again, Poland has a couple of tough years ahead.

Is an ambitious growth plan realistic under such conditions? Our answer is a resounding „yes.” A growing economy benefits everyone; when it slows down, the weakest market players are the first to suffer. Agora is among the strongest. We have in our arsenal important competitive weapons, the result of many years of assiduous efforts: an excellent market position which continues to be an object of our constant care, a rare reputation for clean dealing, in Poland and abroad, professional management motivated by stock participation and, last but not least, significant financial liquidity, or the means to invest. These are tools for turning adversity into opportunity. We have the next two to three years to prove our mettle by using these tools with good sense.

Much depends on the outcome. Agora’s reputation and its market position, satisfaction of shareholders and staff all hang on it. So does what to us, the management of Agora, continues as the chief task and a source of inspiration – that the voice of *Gazeta* continues to be clearly heard in the public debate in Poland, promoting values which have guided us in the last 12 years as we were editing the newspaper, running the business and participating in the shaping of Polish reality. It appears that in our part of Europe, more than a decade into building democracy and market economy, this voice is as necessary as ever.

Management Board:
Wanda Rapaczynski
Piotr Niemczycki
Helena Luczywo
Zbigniew Bak

Warsaw, 12 April 2001.

AGORA SA MANAGEMENT DISCUSSION OF RESULTS FOR FISCAL YEAR 2000 (PRESENTED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARDS)

Agora Group has been created in 1998. These consolidated statements include results of Agora SA and Agora-Poligrafia Sp. z o.o. Other companies included in the group have been excluded from consolidation, as they are not material.

The revenues and costs of the group are mainly attributed to the dominating entity – Agora SA. The main product of the group is “Gazeta Wyborcza”, the biggest daily in Poland.

Agora-Poligrafia Sp. z o.o. deliver printing services to Agora SA. In 2000 it has printed 33.6% of the “Gazeta’s” total circulation. The printing presses of Agora-Poligrafia Sp. z o.o. are leased from Agora SA. Its revenues consist mainly of printing services to Agora SA whereas costs consist mainly of lease rent paid to Agora SA. Both are eliminated in consolidation.

In 2000 apart from slowdown of ad market growth in Poland, revenues, EBITDA and net profit for the Group were on the excellent levels:

- * Revenues rise by 17.5% to PLN 810.7 million
- * Profit before non-recurring charges up by 15.4% to PLN 220.7 million
- * EBITDA margin reaches 34.1%
- * Net profit of PLN 170.2 million, up by 34.6%

Agora’s development plans

The Group’s major objective is to build long-term value for its shareholders. Agora’s strategy assumes strengthening the Group’s position in the media market, primarily in Poland, continuing the organic growth of the existing businesses, and, at the same time, growing the scale of activities through mergers and acquisitions.

Agora’s development through strategic alliances and joint ventures will be addressed solely at the media sector and realized on the basis of clearly defined criteria enabling the evaluation of a given investment from the perspective of its long-term value for shareholders.

External and internal factors significant for further growth of the Group

Agora’s further success depends on efficacious continuation of its businesses and realization of the above mentioned strategy. Agora’s businesses are determined by numerous external and internal factors.

External factors

Price of newsprint

Newsprint is the basic material for *Gazeta’s* production and accounts for nearly one third of its operating costs before D&A. After a couple of years of stable prices, in 2001 the average unit price of newsprint grew by circa 20% in DEM.

The Group is capable of forecasting the price of newsprint and actively manages stocks in relation to prices expected on the market. Agora purchases newsprint from five leading European suppliers and signs with them annual contracts with a fixed price in DEM.

Economic situation in Poland and the advertising market

Till the end of 1999 the advertising market developed very dynamically due to structural changes in the economy, e.g. privatization and liberalization of the telecom sector, pension fund reform. Since

2000 we observe a maturing advertising market where macroeconomic factors are driving the growth. A weaker economic growth results in lower consumer demand, and in consequence – smaller advertising expenditure. According to Agora's forecasts in 2001 whole Polish advertising expenditure will increase by 12.5%, and the growth of the newspaper market will reach 14%. *Gazeta's* strong market position assures the Group a growth in advertising revenue, however, more modest than in the previous years.

VAT on newspaper sales

In 2001 the Group is obliged to pay 7% VAT on newspaper sales. In the years prior this accounted for 0.

Internal factors

Technology and production forces

Agora completed the development of the printing base. As a result whole production and offset printing takes place in-house. It allows for cost optimization and flexible configuration of our offer for readers and advertisers. Securing sufficient production capacity is also a vital competitive factor, as it creates market entry barriers.

The Group takes up activities securing efficiency and reliability of key technological processes also in other fields. Agora, among others, implements state-of-the-art technologies for advertising sales, distribution, as well as financial planning, and human resources management.

Employees

The success of the business depends also on the level of competence and satisfaction among employees. The most important objectives in the realm of human resources are: attracting new professionals to the company, attach present employees, and motivate them to take up new ambitious tasks. In order to fulfill these objectives the Group implemented a number of career development systems, programs for employees moving from one sector of the company to another, as well as incentive plans for managers and high performers which broaden the group of shareholders.

New business development

Mergers and acquisition strategy, as well as further development in the Internet, are associated with investments which will have impact on the Group's results. All such transactions, may in the short term dilute earnings and negatively influence the Group's margins. Decisions on capital investments are taken on the basis on the criterion of building long term value for the shareholders.

OPERATING REVIEW

Gazeta Wyborcza

Paid Circulation

With average copy price increase of 11.4% from last year, revenue from copy sales grew by 13.5% to PLN 153.7 million. Revenue from paid circulation accounts for 19.0% of the Company's revenue.

Average daily copy sales rose in 2000 to 462,000 (3.2% more than in 1999).

Our investment in strategic local markets is also paying off: average daily copy sales in three strategic regions increased by 6.0% compared to 1999.

In 2000 the total daily newspaper market decreased by 3%. For the second year running, *Gazeta* is the only daily newspaper to grow paid circulation.

Advertising Sales

“*Gazeta's*” advertising revenue increased by 17.9% to PLN 615.3 million, accounting for 75.9% of the Company's revenue.

In 2000 the advertising market in Poland grew at lower rate than in the previous year. Total ad market (radio, television, outdoor and print) grew by 12.5%. TV and radio experienced the weakest growth – estimated nominal revenue growth was 10.1% and 8.3% respectively compared to 1999. Print media recorded stronger revenue growth of 15.7%, with the advertising lineage growing by 3%. The lineage growth was recorded only in local newspapers. National newspapers and magazines experienced a decline in lineage. These market trends prove our policy of expansion in local markets.

Advertising revenue (in PLN million)	% Growth		
	2000	1999	2000/1999
National advertising	326.6	274.9	18.8%
Share in total advertising revenue	53.1%	52.7%	
Local advertising (Warsaw excluded)	146.0	121.6	20.1%
Share in total advertising revenue	23.7%	23.3%	
Warsaw advertising	142.7	125.4	13.7%
Share in total advertising revenue	23.2%	24.0%	
Total	615.3	521.9	17.9%

Revenue growth of *Gazeta* was accompanied by a decrease of national advertising lineage by 3.6% and an increase of lineage in local markets (except for Warsaw) by 3.8%. Warsaw lineage remained constant. The daily average number of advertising pages printed in all national and local editions increased to 393 (382 in 1999).

The methodology based on official rate card data shows that the advertising revenue share of *Gazeta* in both national and Warsaw markets reached 60.7% and 80.0% respectively, a decline of 1.4pp and 0.8pp compared to 1999. In other local markets *Gazeta's* share increased to 24.7% from 23.0% in 1999. It should be noted, however, that rate card data do not reflect the fair picture of the market due to differences in discount policies adopted by publishers.

INTERNET

Advertising revenue went up by 548.6% compared to 1999 and total internet revenue increased by 332.4%

At the beginning of last year Agora began the development of its Internet portal. Alongside development the electronic version of *Gazeta Wyborcza* has been continued. In the fourth quarter this service recorded a monthly average of 1.4 million visits and 12.1 million page views and according to the market research conducted by SMG/KRC remained the third most frequently visited Polish site.

One of the major objectives for the portal was to leverage *Gazeta's* resources. To reach these goals all newsrooms adopted multimedia operations and simultaneously produce content to both the printed and on-line version of *Gazeta* and to the portal. In *Gazeta's* on-line version and on the portal the content is published immediately. Meanwhile Agora implemented and tested several unique technological solutions for, among others, the management of the editorial content and its huge databases.

By the end of 2000 there were 82 employees working on the project, of which 26 were in sales. Operating costs reached PLN 11.1 million of which depreciation was PLN 1.4 million. Capital expenditures (fixed assets, intangible assets and investments-in-progress) amounted to PLN 23.1 million. It shall be underscored that part of capital investments planned for 2000 (approximately PLN 8.7 million) and corresponding D&A charges (approximately PLN 1.4 million) were shifted to 2001.

In January 2001 Agora launched pre-premiere portal.

RADIO

Total revenue of the group in 2000 reached PLN 38.1 million (38,0% growth), advertising revenue reached PLN 35,7 million (38,6% growth). The group was EBITDA positive of PLN 4.0 million (PLN 2.6 million last year). The above data refer to entire group of local radio stations together with three stations from Poznan, which were consolidated on pro-forma basis (both in 2000 and 1999).

In financial reports for 1999 Agora presented unconsolidated results for local stations. As a result sales and costs were slightly overestimated. For comparison unconsolidated total revenue of the group in 2000 amounted to PLN 45.5 million (PLN 35.1 million in 1999), unconsolidated ad revenue of the group in 2000 amounted to PLN 39.9 million (PLN 30.1 million in 1999).

The group currently consists of 14 stations located in the top local markets. In 2000 four stations were added to the group: "Na Fali" in Szczecin, "Klasyka" in Warsaw, "Barys" in Katowice and "Res 95.7 FM" in Rzeszów.

National audience share in the target group (25-45 years old, cities above 100,000) in 2000 reached 9.9% (7.6% in 1999), which confirms the group's position as the leading player in the local markets. Agora's strategy to focus on local markets is proving highly successful, as share of local radio stations in radio advertising market in Poland has been steadily growing.

Agora maintains its stake in the super-regional news/talk station TOK FM. In August 2000, in execution of the obligations resulting from statute of Inforadio Sp. z o.o. (the company which owns the station) Batory Foundation, one of the shareholders, sold its shares to Agora and to the other shareholder. Agora has purchased 60 shares, increasing its stake in Inforadio to 41.6%. The growth of sales in 2000 (by 18%) and cuts in costs base did not allow the station to obtain break even.

Despite the growing scale of the venture, radio stations are still not consolidated since they are not material from the perspective of Polish Accounting Standards.

Cost Structure

Operating costs before non-recurring charges (in million PLN)

	% growth		
	2000	1999	2000/1999
Raw materials and consumables	185.5	177.0	4.8%
incl. newsprint GW	153.0	143.1	6.9%
Staff costs	179.1	139.3	28.5%
incl. payroll	148.8	116.3	27.9%
D & A	53.0	45.9	15.4%
Other costs	172.4	136.2	26.7%
Total	590.0	498.4	18.4%

Operating costs before non-recurring charges increased by 18.4% to PLN 590.0 million.

Raw materials and consumables

amounted to PLN 185.5 million and accounted for 31.4% of total operating costs. Cost of newsprint used for *Gazeta* amounted to PLN 153.0 million. In spite of increase in production volume it was only 6.9% higher than in the previous year due to flat price increase and lower EURO exchange rate. The total number of printed pages was 23.4 billion - 8.9% more than in 1999 (the average pagecount grew by 5.6% and the growth of remaining part of production volume results from increase in circulation). In 2000 color pages had a 64.2% share in pagecount (55.2% in 1999). The increase in newsprint consumption was a direct result of both an increase in production volume and launch of the printing plant in Pila (test print runs) The Pila plant started production in October, a few weeks ahead of schedule.

Staff costs

amounted to PLN 179.1 million and were 28.5% higher than in 1999 at the average full time employees growth of 16.9%. The main factors contributing to the growth are new employment in printing plants and the internet project. At the end of December 2000 the Company had over 3,400 employees, representing growth of 20.8% in comparison to 1999.

Depreciation and Amortization

increased by 15.4% compared to 1999. This growth results from IT investments and expansion of the printing base (in 2000 Agora has completed construction of three printing plants).

In the fourth quarter 2000 the classification of IPO costs was changed and new depreciation periods for printing equipment booked in 2000 have been adopted. For further explanation see additional information to financial statements.

Other costs

amounted to PLN 172,4 million. Significant costs were connected to the external printing of *Gazeta Wyborcza*, which amounted to PLN 34.4 million. In 2000 19.2% of production, i.e. 4.5 billion pages, was outsourced. In 1999 the outsourced production also amounted to 4.5 billion pages, but accounted for 21.0% of the total production. Increase in cost of external printing resulted not only from an increase in prices but also from extended use of color in external printing. In April 1999 the wide offer of thematic supplements to “*Gazeta Wyborcza*” was broadened by women’s magazine “*Wysokie Obcasy*” (High Heels) and in November 1999 the layout of TV Guide to “*Gazeta Wyborcza*” was altered, and included a heat set cover.

Other significant costs include advertising and representation (PLN 25.5 million, increase by 7.9 million).

This also includes the balance of set up and released provisions for bad debt (PLN 7.6 million in 2000).

FINANCIAL OVERVIEW

PROFIT AND LOSS ACCOUNT (PLN million)	% growth		
	2000	1999	2000/1999
Net revenue	810.7	689.7	17.5%
Operating cost	<u>(590.0)</u>	<u>(498.4)</u>	18.4%
Profit before other non-recurring charges	220.7	191.3	15.4%
Profit after other non-recurring charges	207.0	186.9	10.8%
Pretax profit	224.5	190.4	17.9%
Corporate income tax		(54.3)	(64.0) (15.0%)
Net Profit	170.2	126.4	34.6%
EPS - net revenue per share in PLN	3.0	2.3	29.6%
EBITDA (PLN million)	276.1	237.2	16.4%
EBITDA margin	34.1%	34.4%	(0.3 pp)

Operating profit before other non-recurring charges amounted to PLN 220.7 million, 15.4% more than in 1999.

In November 2000 other non-recurring charges incurred PLN 13.7 million associated with decommissioning of building of the old printing plant in Warsaw. This will be replaced by a new office building.

EBITDA amounted to PLN 276.1 million, an increase by 16.4%. EBITDA margin was at 34.1%, the same level as in 1999.

The consolidated results include performance of Agora SA (incl. Internet project) and Agora-Poligrafia Sp. z o.o. If the Internet project was excluded from the results the operating profit before other non-recurring charges would amount to PLN 228.2 million, EBITDA to PLN 282.2 million and EBITDA margin to 35.0%.

Net of financial activities amounted to PLN 17.5 million, including interests, dividends, result on sale of commercial securities, FX differences and costs of long-term EURO purchase contracts.

In 2000 the result on sale of commercial securities amounted to PLN 19.4 million (excluding PLN 2.6 million of accrued income as at 31 December 2000). The average return on investments in securities was 16.5% p.a.

Dividends received amounted to PLN 10.1 million.

In July 2000 the Company has entered into three-year-long EURO purchase contracts to hedge the FX risk, particularly on newsprint purchases. Paid costs of the hedge amounted to PLN 8.5 million. Additionally, the financial costs were increased by FX differences on these transactions (as at 31 December 2000) in the amount (accrued for but not paid) of PLN 5.7 million.

In January 2001, due to unexpected long-term weakness of the EURO against PLN and USD the Group decided to terminate the least favourable contract for EURO and to change the terms and conditions of the second one. Withdrawal from the contract will increase the financial costs in 2001 by approximately PLN 7.4 million.

Corporate income tax amounted to PLN 54.3 million. The effective tax rate was 24.2% at the statutory rate of 30%.

Net profit totaled PLN 170.2 million, an increase of 34.6% from PLN 126.4 million in 1999.

BALANCE SHEET (PLN million)

	31.12.2000	31.12.1999	% Growth
TOTAL ASSETS	1,051.5	848.4	23.9%
Share in balance sheet total	100%	100%	
Current assets	322.8	349.4	(7.6%)
Share in balance sheet total	30.7%	41.2%	
Fixed Assets	728.7	499.0	46.0%
Share in balance sheet total	69.3%	58.8%	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,051.5	848.4	23.9%
Share in balance sheet total	100%	100%	
Current liabilities	116.2	89.0	30.6%
Share in balance sheet total	11.0%	10.5%	
Long term liabilities	91.0	85.4	6.5%
Share in balance sheet total	8.7%	10.1%	
Equity	844.3	674.0	25.3%
Share in balance sheet total	80.3%	79.4%	

As of 31 December 2000 the Company's balance sheet sum was over PLN 1 billion equal to 23.9% growth on 31 December 1999. The structure of assets changed - the share of current assets decreased from 41.2% to 30.7%, whereas the fixed assets share increased from 58.8% to 69.3%. The changes are due to investment in printing facilities, IT and telecommunications.

As of 31 December 2000 accounts receivable amounted to PLN 106.4 million, equal to 26.2% growth on 31 December 1999. An increase in accounts receivable reflects movements in payments deferred by not more than three months. For payments deferred by more than three months provisions for bad debt are set up. In 2000 the Company reorganized the system of credit risk monitoring and debt collection, which will help to minimize losses on bad debts. Share of receivables in the balance sheet sum remained unchanged at the level of 10%.

CASH FLOW STATEMENTS (PLN million)

	% Growth		
	2000	1999	2000/1999
Net cash from operating activities	216.0	194.0	11.3%
Net cash from investing activities	(198.6)	(412.6)	(51.9%)
Net cash from financing	(6.4)	237.7	-
Total movement of cash and cash equivalents	11.0	19.1	(42.4%)
At the end of period	47.4	36.4	30.3%

At the end of the period, the Company had PLN 47.4 million in cash and PLN 142.1 million in short-term securities.

Net cash from investing activities mainly include capital expenditure (PLN 285.4 million for extension of printing facilities, new office building, Internet, telecommunications and IT) and net revenue from sales of commercial securities (PLN 89.2 million).

ADDITIONAL INFORMATION

- Changes in the Company Management Board in 2000: as of May 30th, 2000 Mr. Jerzy Thieme was revoked from the post of the Member of the Management Board and on 1 September 2000 Mr. Zbigniew Bak was appointed new Member of the Management Board responsible for business development.
- On 4 July 2000 AGORA SA employees placed shares worth PLN 181.5 million (ca. US\$ 42.5 million) with institutional investors in a block trade. The sale was organised by SSSB.
- On 7 July, 2000 Agora SA entered into an agreement with Porr Polska SA for the construction of new premises. The contractual sum for the works is PLN 152,476,181. This sum may be indexed once a quarter if the index published by the Main Statistics Office increases by more than 5% from the date of the agreement. Construction is to be completed by 12 August, 2002 (the first phase by 17 December, 2001). New premises will allow for significant improvement of work conditions and concentrate Warsaw staff in one location.
- On 11 July Agora signed an agreement with Koenig & Bauer AG for the supply of printing presses to Agora SA's printing plants in Warsaw and Pila. The total value of the presses ordered from Koenig & Bauer amounts to DEM 28 million. This agreement is the last step in the realization of a three-year investment program to improve and expand Agora's printing capacity. Agora's three-year investment program, to be completed in 2001, will give the Company greater control over its cost base, and make it independent from outside suppliers. All the new equipment will significantly shorten production time and improve the structure of *Gazeta Wyborcza*, allowing for more color capacity, increased advertising space, while expanding the capacity for insertion of pre-printed ad materials.
- On November 15, 2000 Agora SA (Agora) and ComputerLand S.A. (ComputerLand) have signed a shareholders agreement and a founding deed of a limited liability company – Internet Commerce Center (Centrum Handlu Internetowego Sp. z o.o., the “CHI”). The company was registered on 20 December 2000 and began operating in January 2001. CHI's scope of business is as follows: creation and maintenance of e-shopping mall including setting-up and hosting of e-shops and web sites. The electronic mall is one of the important ventures associated with Agora's Internet portal. Agora will be responsible for the sale of CHI services to clients and will engage its own sales force for this purpose.
- On December 15, 2000 Agora and its shareholder – Agora-Holding Sp. z o. o. located in Warsaw (Agora-Holding) signed agreements establishing the principles of distribution of at least 90% of 14,953,750 series B shares and 88,264 series D shares of Agora held by Agora-Holding. The shares are to be distributed to the beneficiaries of incentive plans implemented by Agora and Agora-Holding.
- On December 8, 2000 Bankers Trust Company was in possession of 7,606,256 bearer shares of Agora representing 7,606,256 votes at the General Meeting of Shareholders. The amount represents 13.4% of share capital and 9.97% of votes at the General Meeting of Shareholders subsequent to redemption of 24,400 of Agora's Global Depository Receipts.
- On December 29, 2000 Agora and Agora-Poligrafia Sp. z o. o., located in Tychy (Agora-Poligrafia), 100% subsidiary of Agora, signed an appendix to lease contract concerning printing presses and related equipment, dated 1 July 1998. Under the appendix Agora leases to Agora-

Poligrafia additional printing equipment. The leasing period terminates on June 30, 2016. The monthly lease fee increases by PLN equivalent of USD 220,000.

- Ownership of Agora's shares and rights to these shares by members of the Management Board

a. shares

	Ownership at 31/12/2000
Wanda Rapaczynski	1,377,340
Piotr Niemczycki	1,832,930
Helena Luczywo	1,375,144

b. Conditional right to purchase shares (under the condition of signing a lock-up agreement)

	Ownership at 31/12/2000
Wanda Rapaczynski	479
Piotr Niemczycki	472
Helena Luczywo	472

- Ownership of Agora's shares and rights to these shares. (Members of the Supervisory Board)

	Ownership at 31/12/2000
Henryka Bochniarz	0
Dean Eisner	0
Tomasz Sielicki	33
Stanislaw Soltysinski*	-
Louis Zachary	0

* Stanislaw Soltysinski invests in a Blind Trust fund.

- Shareholders entitled to execute more than 5% of the votes at the General Shareholder Meeting

	as at 31/12/2000
Agora-Holding Sp. z o. o.	44.3%
Cox Poland Investment, Inc.	12.2%
Bankers Trust Company	10.0%

Warsaw, 12 April 2001

.....
Wanda Rapaczynski
President

.....
Piotr Niemczycki
Vice President

.....
Helena Luczywo
Member of the Board

.....
Zbigniew Bak
Member of the Board