

AGORA GROUP
THE MANAGEMENT DISCUSSION AND ANALYSIS OF THE COMPANY'S INTERIM RESULTS
FOR THE FIRST QUARTER OF 2003 PRESENTED ACCORDING TO
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

**REVENUES PLN 198.6 MLN, EBITDA PLN 37.8 MLN,
OPERATING CASH FLOW PLN 34.3 MLN**

All the data below represent the period from January to March of 2003, unless indicated otherwise, while the comparison refers to the first quarter of 2003 versus the first quarter of 2002.

Market data sources

Advertising market data referred herein are based on Agora's estimates adjusted for average discount rate and stated in current prices. The estimates refer to advertising expenditures in four media (TV, print, radio and outdoor), which in case of print do not include classifieds, inserts and obituaries. The estimates are based on rate card data of AGB Polska, CR Media monitoring, AMS according to Media Watch monitoring and Agora Monitoring.

The data on the number of sold copies of daily newspapers is based on National Circulation Audit Office (ZKDP).

HIGHLIGHTS:

- The Polish advertising market declined by 1% yoy, and its daily newspaper segment went down by 11%.
- The Group continued restructuring its new businesses in line with 2003 operating goals.
- Total revenues of the Group reached PLN 198.6 million and grew by 20%; the newspaper segment sales declined by 6%.
- The Group posted EBITDA of PLN 37.8 million which translated into 19% EBITDA margin; the newspaper segment reached EBITDA margin of 24.9%.
- Operating cost before D&A (excluding AMS, radio stations and magazines) were down by 1.8% and amounted to PLN 121.1 million.
- The Group generated PLN 34.3 million operating cash flow, and its long-term debt stood at PLN 139.5 million. The Group does not expect any liquidity problems in regard to its further investment plans.
- Weekly readership of *Gazeta Wyborcza* increased to 19.2%. This is the best quarterly result since 1998.

Wanda Rapaczynski, the President of the Management Board, said:

“Thanks to new businesses Agora's revenue increased by 20%. However, the advertising market in the first quarter was worse than we expected, especially for newspapers. We are focusing on key business objectives. We are making sure that *Gazeta's* market position remains unassailable, we have the first market and restructuring successes in the new businesses. “

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

1. EXTERNAL FACTORS

1.1. Economy

The economic indicators in Poland and worldwide have not provided cause for optimism. According to the preliminary data of the Main Statistical Office (GUS), the GDP growth in Poland in the first quarter of 2003 was lower than expected; it did not exceed 2.1% and remained flat compared to the fourth quarter of last year. Unemployment rate (18.7% by the end of March) and retail sales figures are far from optimistic as well.

1.2. Advertising market

According to Agora's estimates the total advertising spending in Poland decreased by 1% in the first quarter of 2003. The pace of the decline slowed down in comparison with the fourth quarter of 2002. However, the market still remains in the red.

Important advertising categories continued to decelerate. The decline was still observed in automotive and home and construction advertisements (down 8% and 6%, respectively). On the other hand, telecom advertisers increased their budgets by as much as 47%. The cosmetics category went up by 9%, and employment ads - important leading indicators of the economy - posted a growth of 4%.

The slowdown of the negative trend in the first quarter of 2003 was attributed to TV. Television segment posted revenue growth of 3% and increased its share in total advertising spending by 2 pp. Radio advertisements grew by 9.3%, while outdoor expenditures slid by 5%.

Worse than expected results were recorded in the print market, particularly in the daily newspaper segment. Advertising spending in the print media went down by 7.4% and its share in the total advertising decreased by 2.5 pp. The decline of daily newspaper market was even steeper and reached as much as 11%.

The least affected by the advertising recession were magazines (off 2.8%). This was due to better performance of their key categories, such as health (up 11%) and clothing (up 38%) and revenue streams from typical newspaper advertising categories such as telecom (up 56%) and home and housing (up 2%).

The national dailies were the most affected print segment (down 15.2%). Such a slide was caused by a very strong competition of national TV stations. Owing to the scale of their discounts and – in effect – a very low CPT, the national TV broadcasters became an attractive alternative to press for national advertisers.

The most affected in the national dailies market were three of the biggest advertising categories: automotive (down 27%), finance (down 48%) and official announcements (down 8%). The growth was recorded by telecom (up 26%), travel (up 7%) and employment (up 1%).

1.3. Circulation market

According to the National Circulation Audit Office (ZKDP), the number of newspapers sold in the first quarter of 2003 shrank by 5.2%, while copy sales of national dailies declined by 9.3% (excluding the daily *Zycie*, which ceased publication in December 2002, the market declined by 6.3% in comparison to the first quarter of 2002).

In the first three months of 2003 we also witnessed an aggressive competition among national magazine publishers. It mainly focused on very active promotion by means of attaching free gifts and radically reducing the cover prices.

1.4. The media law

The draft media law, approved by the government in the beginning of last year, set very restrictive limits on cross-ownership, granted more power to the Broadcast Council and was aimed at strengthening the position of the public media at the expense of the commercial media. The changes could have impeded the growth of the commercial media in Poland, including Agora.

In December 2002 - after the commercial media protested against the bill, and after *Gazeta Wyborcza* revealed an attempt to extort from Agora a USD 17.5 million bribe in exchange for a favorable media law – the work of Culture and Media Committee was suspended. The special committee appointed by the Parliament deemed many provisions of the draft to be unconstitutional. Despite the boycott by the opposition MPs, the Parliament decided to continue its work on the draft. The Culture and Media Committee took note of the special committee's findings, as well as UKIE (Committee for European Integration) report on the violation of the EU law by this draft. Some amendments were introduced and the draft was sent down to the Parliament.

As of the day of the release of this report, it is not clear when the bill will be debated on the floor of the Parliament.

2. INTERNAL FACTORS

2.1. Company's growth

In line with the operating goals adopted for the current year, the magazine division worked intensively to enhance the advertising and readership offer of the key titles. In February 2003, we launched a new automotive magazine *Auto+*. The first two issues sold an average of 80 thousand copies and were a market success. In March we kicked off with a new face-lifted *Poradnik Domowy* (Good Housekeeping). The first issue sold 500 thousand copies. The magazine division will continue promotional activities of selected magazine titles.

In the first quarter of 2003 the Agora Group continued restructuring the liabilities of AMS. AMS paid off loans from Agora in the amount of PLN 35 million and decreased the balance of loans due to the Agora Group to PLN 30 million. Agora also increased AMS's share capital by PLN 30 million. The above activities aimed at improving the AMS balance sheet and hence its credit worthiness.

Pursuant to the operating goal for this year, in the first quarter of 2003 the Management Board of AMS continued cost containment program (e.g. rental fees reduction) and completed the restructuring of the sales force.

2.2. Revenue and operating cost

Since the Group's results include, as of the second quarter of 2002, the financials of the magazines and consolidation of the radio business), as well as AMS (full method consolidation from the fourth quarter of 2002), the first quarter 2003 earnings are not comparable to the corresponding quarter of last year. The financials of the new businesses impact both revenue and cost lines. To facilitate comparability, in part II (point 3) of this comment, the Management Board of Agora presents the main items of the Group's profit and loss account excluding magazines, radio business and AMS.

In the first quarter of 2003 the new businesses (radio, AMS and magazines) increased the Group's revenue by PLN 41.7 million. At the same time, new businesses contributed negatively to the operating profit by PLN 7.9 million and net profit by PLN 10.0 million.

Two important factors affecting the Group's cost are production materials (primarily newsprint purchased by Agora) and external printing. Both cost items are exposed to foreign currency exchange risk. In the first quarter of the year we saw appreciation of EURO vis a vis PLN. The average exchange rate in the period increased by 15.8% in comparison with the average rate in the first quarter of last year and by 4.8% vis a vis the fourth quarter of last year. Thanks to lower newsprint price in EURO by around 14% and production volume by 4.8%, the cost of newsprint purchased by Agora in the first quarter of 2003 went down by 10.1%.

Possible further appreciation of EURO vis a vis PLN may negatively impact the Group's cost. According to the Group's estimates 1% growth of EURO versus PLN will increase operating cost before D&A by PLN 0.3 million in the second quarter of 2003.

3. PROSPECTS FOR THE REMAINDER OF THE YEAR

The conditions of the advertising market in the first quarter of this year suggest that the decline is slowing down. However, the market remains in the red and the economic situation in Poland and abroad indicate that it might remain so in the following quarters.

Given the mixed economic signals, weaker than expected GDP growth, and steeper than assumed slump of daily newspaper advertising revenues, benefiting television, the Management Board has revised its market assumptions for 2003. The total advertising market (current prices) will remain flat yoy; TV will grow by 2.9%, radio by 4.7% and outdoor by 2%. However, the print market will lose 5.1%. Advertising expenditure in the daily newspaper segment will shrink by 8.8% (revised from the previous forecast of the print market decline of 3.5% and dailies decline of 5.5%).

In view of such a market scenario, the Management Board assumes a further few percent decrease of *Gazeta Wyborcza's* advertising sales, and a notch decline of its market share in the daily newspaper segment. At this point and taking into account the first quarter results, the Management Board would like to point out that reaching of the goal of 10% revenue growth for the Group in 2003 will be very difficult.

With respect to the announcement by Axel Springer that it plans to start a new national newspaper in Poland, the Management Board of Agora would like to underscore that the Company has several years of necessary experience in the Polish print market and is well prepared to face the competition. Although, the appearance of a new player in the newspaper market will result in additional cost to the Company, the strong market position of *Gazeta Wyborcza*, as well as synergies achieved among various media within the Group, will help Agora to better defend the newspaper's readership and market position.

II. FINANCIAL RESULTS -abridged financial statements of the Agora Group

The consolidated financial statement of the Agora Group for the first quarter of 2003 includes Agora SA, Agora Poligrafia Sp. z o.o., the Art Marketing Syndicate S.A. Group (AMS), 21 subsidiary and associated companies of the radio business.

Comparable data for the first quarter of 2002 includes consolidation of two companies: Agora SA and Agora Poligrafia Sp. z o.o.

The first consolidated statement of the Agora Group including subsidiary and associated companies of the radio business was prepared for the second quarter of 2002. Since the impact of the results of the previously not consolidated subsidiary and associated companies on the comparative financial statements is immaterial, the consolidated comparable financial statements have not been adjusted for this change. The cumulative impact of this change on shareholders' equity has been charged to shareholders' equity at the opening balance sheet as at January 1, 2002.

From the fourth quarter of 2002, the financial results of the AMS Group are consolidated with the results of the Agora Group by means of the full method.

To enhance comparability, the major items of the Profit and Loss Account of the Agora Group excluding the magazines (influence on the financial results of the Group from April 2002) and the AMS Group and radio related companies are presented in part II point 3 of this MD&A.

The influence of the radio related companies, the AMS Group and the magazines incorporation into the consolidation results on major items of the Profit and Loss Account in the first quarter of 2003 is presented in part III hereof ("Operating review – major businesses of the Agora Group").

1. THE FINANCIAL STATEMENTS OF THE GROUP FOR THE FIRST QUARTER OF 2003 INCLUDE THE FINANCIALS OF THE FOLLOWING COMPANIES:

Companies consolidated by means of the full consolidation method		Agora's equity holding as at 31/03/03	Companies valued with the equity method		Agora's equity holding as at 31/03/03
1	Agora SA		18(***)	Multimedia Plus Sp. z o.o.	23.99%
2	Agora Poligrafia Sp. z o.o.	100.00%	19	Wibor Sp. z o.o.	48.99%
3(*)	The Art Marketing Syndicate S.A. Group (AMS)	99.48%	20	Jan Babczyszyn Radio Jazz FM Sp. z o.o.	42.00%
4	KKK FM S.A.	84.18%	21	BOR Sp. z o.o.	47.19%
5	Elita Sp. z o.o.	99.08%	22	Inforadio Sp. z o.o.	41.61%
6	Radio Trefl Sp. z o.o.	99.96%	23	Radio Wanda Sp. z o.o.	27.00%
7	IM 40 Sp. z o.o.	72.01%	24	Radio Mazowsze Sp. z o.o.	23.95%
8	LRR Sp. z o.o.	100.00%			
9	O'le Sp. z o.o.	100.00%			
10	Karolina Sp. z o.o.	100.00%			
11	City Radio Sp. z o.o.	100.00%			
12	ZUH „Uznam” Sp. z o.o.	100.00%			
13	ROM Sp. z o.o.	100.00%			
14	Barys Sp. z o.o.	89.78%			
15	Agencja Reklamowa Jowisz Sp. z o. o.	99.12%			
16	Radio Pomoże Sp. z o.o.	100.00%			
17(**)	Twoje Radio Sp. z o.o.	95.32%			

(*) the AMS Group includes: Art Marketing Syndicate S.A., Adpol Sp. z o.o., Akcent Media Sp. z o.o.

(**) indirectly, through Agencja Reklamowa Jowisz Sp. z o.o.

(***) on March 31, 2003, as a result of the sale of shares constituting 24% of share capital of the company Multimedia Plus Sp. z o.o., Agora's share was diluted from 47.99% to 23.99%

The remaining companies, in which Agora SA owns shares, are not consolidated as they are immaterial from the perspective of the accounting standards.

2. PROFIT AND LOSS ACCOUNT OF THE AGORA GROUP

In PLN million	I Q 2003	I Q 2002	% change yoy
Sales	198.6	165.6	20.0%
Operating cost	(197.1)	(146.7)	34.4%
Operating profit (loss)	1.5	18.9	(92.0%)
Interest in net results of associates	(0.3)	-	-
Gain on disposal of long term investments	0.3	-	-
Provisions for losses on investments	(0.9)	(1.0)	(6.5%)
Interest and financial items	(3.8)	5.6	-
Profit (loss) before income taxes	(3.2)	23.5	-
Income taxes	(1.4)	(7.0)	(79.8%)
Minority interests	(0.2)	-	-
Net profit (loss)	(4.8)	16.5	-
EPS - net profit per 1 common share (PLN)	(0.08)	0.29	-
EBIT	1.5	18.7	(92.1%)
EBIT margin (EBIT/Revenue)	0.7%	11.3%	(10.6 pp)
EBITDA	37.8	42.1	(10.2%)
EBITDA margin (EBITDA/Revenue)	19.0%	25.4%	(6.4 pp)

2.1 Revenue structure of the Agora Group

Changes in the structure of the Group's revenue result from the inclusion of the magazines into the press segment and consolidation of radio businesses and the AMS Group.

Revenue structure of the Agora Group In PLN million	I Q 2003	Share of total revenue in I Q 2003	I Q 2002	Share of total revenue in I Q 2002	% change yoy	% change yoy (pp)
A. Copy sales	56.1	28.3%	48.7	29.4%	15.4%	(1.1 pp)
incl. among others <i>Gazeta Wyborcza</i>	47.0	23.6%	48.3	29.1%	(2.7%)	(5.5 pp)
Magazines	9.1	4.6%	-	-	-	4.6 pp
B. Ad sales	134.5	67.7%	110.4	66.7%	21.8%	1.0 pp
incl. among others <i>Gazeta Wyborcza(*)</i>	94.9	47.8%	108.5	65.6%	(12.5%)	(17.8 pp)
Magazines	6.6	3.3%	-	-	-	3.3 pp
Outdoor	23.4	11.8%	-	-	-	11.8 pp
Radio (**)	6.0	3.0%	-	-	-	3.0 pp
C. Other revenue	12.6	6.3%	6.5	3.9%	94.0%	2.4 pp
incl. Print services (***)	7.0	3.5%	1.9	1.1%	269.1%	2.4 pp
D. Internal sales of the Group excluded in consolidation (****)	(4.6)	(2.3%)	-	-	-	(2.3 pp)
incl. ads on the panels of AMS (****)	(3.3)	(1.7%)	-	-	-	(1.7 pp)
Total revenue of the Group	198.6	100.0%	165.6	100.0%	20.0%	0.0 pp

(*) sales of advertising and inserts

(**) ad sales of the radio related companies consolidated by means of the full consolidation method

(***) sales of printing services to external clients

(****) for the companies consolidated by means of the full consolidation method

Notes to data presented in the table above

Items A. and B. are not decreased by internal sales within the companies of the Agora Group.

The internal sales between Agora SA and Agora Poligrafia Sp. z o.o. were excluded only in item C. (to maintain clarity of the structure of the revenue). The major revenue of Agora Poligrafia Sp. z o.o. is the sale of printing services to Agora SA. Agora –Poligrafia Sp. z o.o. uses the printing presses leased from Agora SA.

Other internal revenue within the Agora Group (excluded in consolidation) is presented in item D. in the table above (total internal sales within the Agora Group decreased by internal sales between Agora SA and Agora Poligrafia Sp. z o.o.).

2.2 Major products and services of the Agora Group and operating profits and cost are presented in detail in part III hereof (“Operating review – major businesses of the Agora Group”). Additionally, to enhance comparability, operating costs of the Agora Group excluding the magazines, the AMS Group and radio business are presented in part II point 3 hereof.

2.3 The provisions were set up for investment activities in associated companies in the amount of PLN 0.9 million (increase in provisions for loan granted to Inforadio Sp. z o.o. and contingent liabilities resulting from a guarantee granted to Inforadio Sp. z o.o.).

2.4 Net of financial income and expenses includes mainly interest income and expense, profit/loss on sales of securities and foreign exchange differences.

The result on short-term financial investments (securities, bank deposits) amounted to PLN 0.7 million in the first quarter of 2003 (in the first quarter of 2002 – PLN 3.8 million), including PLN 0.1 million of income on revaluation of securities as at March 31, 2003.

Financial cost (interest) resulting from the bank loans amounted to PLN 2.7 million.

Financial costs include also the adjustment concerning evaluation of the embedded derivatives in the amount of PLN 1.1 million.

3. MAJOR ITEMS OF THE PROFIT AND LOSS ACCOUNT EXCLUDING THE MAGAZINES AND THE INFLUENCE OF CONSOLIDATION OF THE RADIO COMPANIES AND THE AMS GROUP:

In PLN million	I Q 2003	I Q 2002	% change yoy
Sales	157.0	165.6	(5.2%)

Total operating cost before D&A	(121.1)	(123.3)	(1.8%)
incl. raw materials and consumables	(36.3)	(38.8)	(6.3%)
incl. payroll and other staff cost	(45.3)	(45.4)	(0.1%)
incl. other operating cost	(39.5)	(39.1)	0.9%
D&A	(26.4)	(23.4)	13.0%

Operating profit (loss)	9.4	18.9	(49.9%)
Profit (loss) before income taxes	7.1	23.5	(69.8%)
Net profit (loss)	5.2	16.5	(68.6%)
EPS – net profit per 1 common share (PLN)	0.09	0.29	(68.6%)
EBIT	9.4	18.7	(49.7%)
EBIT margin (EBITDA/Revenue)	6.0%	11.3%	(5.3 pp)
EBITDA	35.8	42.1	(14.9%)
EBITDA margin (EBITDA/Revenue)	22.8%	25.4%	(2.6 pp)

Raw materials and consumables

Newsprint used for production of *Gazeta Wyborcza* (purchased by Agora) accounted for 73.2 % of this category of cost.

Payroll and other staff cost

At the end of March of 2003, the Agora Group employed 3,080 full-time employees, that is 2.2% less than at the end of March 2002. Average full-time employment in the first quarter of 2003 was 3.4% lower yoy. In the period, the payroll costs amounted to PLN 37.4 million (0.6% increase yoy).

D&A

The main reasons for the increase in D&A in the first quarter of 2003 are: depreciation of the new office building (the first phase was put to use in February 2002, the second one - in November 2002) and depreciation of new printing facilities (put to use in October 2002).

Other operating cost

Major items in this category of cost include: advertising and representation expenses (PLN 9.0 million), external printing of *Gazeta Wyborcza* (PLN 3.9 million), IT services (PLN 2.8 million), telecommunications (PLN 2.3 million), newspaper transportation services (PLN 1.6 million), rents (PLN 1.5 million), legal services (PLN 1.5 million).

Other operating cost include also set up/released provisions for bad debt. In the first quarter of 2003, it amounted to PLN 1.7 million (versus PLN 0.4 million in the first quarter of 2002).

4. BALANCE SHEET OF THE AGORA GROUP

In PLN million	31/03/2003	31/03/2002	% change yoy	31/12/2002	%change vs. 31/12/2002
TOTAL ASSETS	1,385.7	1,168.2	18.6%	1,431.8	(3.2%)
Fixed assets	1,177.2	893.2	31.8%	1,206.0	(2.4%)
Share in balance sheet total	85.0%	76.5%	8.5 pp	84.2%	0.8 pp
Current assets	208.5	275.0	(24.2%)	225.8	(7.6%)
Share in balance sheet total	15.0%	23.5%	(8.5 pp)	15.8%	(0.8 pp)
TOTAL LIABILITIES	1,385.7	1,168.2	18.6%	1,431.8	(3.2%)
Equity	1,058.3	1,037.1	2.0%	1,063.1	(0.5%)
Share in balance sheet total	76.4%	88.8%	(12.4 pp)	74.2%	2.2 pp
Minority interests	1.7	-	-	1.5	14.4%
Share in balance sheet total	0.1%	0.0%	0.1 pp	0.1%	0.0 pp
Long term liabilities, provisions	197.3	37.8	422.5%	197.6	(0.1%)
Share in balance sheet total	14.2%	3.2%	11.0 pp	13.9%	0.3 pp
Current liabilities	128.4	93.3	37.5%	169.6	(24.3%)
Share in balance sheet total	9.3%	8.0%	1.3 pp	11.8%	(2.5 pp)

4.1 Fixed assets

As for 31 March 2003, the increase in fixed assets by PLN 284.0 million (against March 31, 2002 status) resulted mainly from:

Capital investment in AMS

Net goodwill on consolidation of the AMS Group as for March 31, 2003 amounted to PLN 152.0 million.

Acquisition of the magazines by Agora SA

Following the acquisition of the assets and liabilities of Proszynski i S-ka - Czasopisma Sp. z o.o. company, Agora SA acquired magazine titles. As at 31 March 2003, their net book value amounted to PLN 78.2 million. As at March 31, 2003 net goodwill on the magazines amounted to PLN 3.0 million.

The Agora SA acquired publishing rights to four motorbike magazines titles with the net book value of PLN 3.9 million as at March 31, 2003.

As at March 31, 2003, the goodwill on inclusion of City Magazine Sp. z o.o. to Agora (October 31, 2002) amounted to PLN 2.4 million.

Consolidation since the second quarter of 2002, of companies operating in the radio business

As at March 31, 2003 net goodwill on consolidation of subsidiary and associated companies of the radio business amounted to PLN 23.1 million.

4.2 Current assets

The reduction in current assets results from a decrease in cash and cash equivalents – the financial resources were spent mainly on the acquisition of magazine titles from Proszynski i S-ka - Czasopisma Sp. z o.o. (PLN 73.8 million) and purchase of shares of AMS S.A. (PLN 168.4 million).

As at March 31, 2003, cash at hand and short-term securities decreased by PLN 101.5 million yoy.

As at March 31, 2003, net of asset from evaluation of embedded derivatives amounted to PLN 4.6 million.

4.3 Long-term liabilities and provisions

As at March 31, 2003 compared to March 31, 2002, changes in long-term liabilities and provisions included:

- the PLN 17.5 million increase in provisions, including provision for deferred tax (increase of PLN 12.0 million);
- the PLN 139.5 million increase in long-term liabilities (Agora SA drew a PLN 139.5 million tranche out of its credit line, the resources were devoted to purchasing the AMS shares following public tender offer and financing of AMS S.A.).

4.4 Short-term liabilities

As at March 31, 2003, short-term liabilities increased by PLN 35.0 million. The increase results mainly from adjusting of the Agora Group consolidated balance with the AMS bank loans and commercial papers of PLN 8.2 million, as well as other short-term liabilities of the AMS Group as for March 31, 2003, amounting to PLN 23.3 million.

5. CASH FLOW STATEMENT OF THE AGORA GROUP

In PLN million	I Q 2003	I Q 2002	% change yoy
Net cash from operating activities	34.3	57.3	(40.0%)
Net cash from investment activities	(8.5)	(29.2)	(70.9%)
Net cash from financing activities	(19.8)	0.0	-
Total movement of cash and cash equivalents	6.0	28.1	(78.7%)
Cash at the end of the period (*)	55.4	160.9	(65.6%)

(*) *excluding short-term securities*

At the end of March 2003, the Agora Group had PLN 55.4 million of cash (cash at hand, bank accounts) and PLN 8.2 million of short-term securities.

Considering the Agora's cash position and a credit line (PLN 500 million, with the tranche drawn of PLN 139.5 million), the Agora Group does not anticipate any problems with its liquidity, in regard to its further investment plans.

5.1 Cash flow from operating activities for the first quarter of 2003 includes – among others – payments from former controlling shareholders of AMS S.A. resulting from the agreement between these shareholders and Agora SA concerning sale of debt by AMS S.A. (PLN 8.1 million) in favor of BB Investment and AMS S.A. ad sales (net PLN 6.9 million) in favor of BB Investment executed by virtue of the said agreement. Additionally, AMS S.A. repaid a PLN 8.5 million of its trade liabilities (decrease in trade liabilities by the said amount).

5.2 Cash flow from investment activities in the first quarter of 2003 includes: expenses on the tangible fixed assets in the amount of PLN 10.9 million and on short-term securities (PLN 5.5 million). Inflow from investment activities includes the payment from former controlling shareholders of AMS S.A. in the amount of PLN 10 million made to AMS S.A., resulting from the referred herein agreement between these shareholders and Agora SA, concerning additions to the assets value in the amount of the loss on investment in IDM Serwis Sp. z o.o.

5.3 Cash flow from financing activities in the first quarter of 2003 includes: on the credit side interest incurred on the loans and the discount on revaluation of commercial papers (PLN 2.8 million), repayment by AMS S.A. of the principal of its bank loans (PLN 7.9 million) and bonds repurchase by AMS (PLN 9.0 million).

III. OPERATING REVIEW – MAJOR BUSINESSES OF THE AGORA GROUP

III.A. PRESS SEGMENT

1. THE RESULTS OF THE PRESS SEGMENT

As of the second quarter of 2002 the press segment includes the Magazines. The results of the Magazines have been presented in further part of this MD&A.

To enhance comparability, the results of the press segment excluding the Magazines are presented below.

<i>Gazeta Wyborcza</i> and other press (the press segment excl. the Magazines) in PLN million	I Q 2003	I Q 2002	% change yoy
Total revenue	154.4	164.2	(6.0%)
incl. copy sales	47.0	48.7	(3.4%)
incl. ad revenue	96.6	109.5	(11.8%)

Total operating cost	(135.5)	(134.1)	1.0%
Raw materials and consumables	(36.3)	(38.1)	(4.6%)
incl. newsprint for <i>Gazeta Wyborcza</i> purchased by Agora	(26.6)	(29.6)	(10.1%)
Staff costs	(42.8)	(42.3)	1.2%
incl. payroll	(35.4)	(34.8)	1.8%
D&A	(19.5)	(18.6)	4.7%
Other cost	(36.9)	(35.1)	5.0%
Total operating cost (excluding D&A)	(116.0)	(115.5)	0.4%
Full time employment at the end of the period	2,990	3,031	(1.4%)
EBIT	18.9	30.0	(36.9%)
EBIT margin	12.3%	18.2%	(5.9 pp)
EBITDA	38.4	48.6	(20.9%)
EBITDA margin	24.9%	29.6%	(4.7 pp)

2. GAZETA WYBORCZA

In the first quarter of 2003, *Gazeta Wyborcza*'s revenue (copy sales, advertising and inserts) constituted over 71% of the Agora Group's revenue.

2.1 REVENUE

Copy sales

In the first quarter of 2003 *Gazeta Wyborcza*'s share in copy sales of all daily papers (solely dailies registered with the National Circulation Audit Office ZDKP) reached 18.2%, and was up 0.5pp.

Gazeta Wyborcza's share in copy sales of national dailies reached 37.9% in the first quarter of 2003 and increased by 1.5 pp yoy.

Average daily copies sold of *Gazeta Wyborcza* in the first quarter of 2003 amounted to 436.2 thousand and was 2.5% lower than in the first quarter of 2002. It is worth noting that in the first quarter of 2002, on Good Friday, *Gazeta* was accompanied by a CD — the paper sold 1.2 million copies at an average copy price about 80% higher than normal.

The weekly readership of *Gazeta Wyborcza* in the first quarter of 2003 reached 19.2%. It has been the best quarterly result since 1998. Compared to the average readership in 2002, in the first quarter of 2003 as many as 0.5 million people more read *Gazeta* at least once a week. No other national daily improved its readership in 2003.

Gazeta's revenue from copy sales amounted to PLN 47.0 million (2.7% less than in the first quarter of 2002).

Advertising sales

Advertising sales of *Gazeta Wyborcza* reached PLN 91.9 million in the first quarter of 2003 (incl. PLN 42.7 million from national ads, PLN 22.1 million from Warsaw ads, and PLN 27.1 million from other local ads). *Gazeta*'s average net revenue per ad page was PLN 5,275. Share of ad pages in the total page count was 41.8%.

Gazeta Wyborcza's advertising sales slid by 12.4% against the first quarter of 2002, while advertising expenditure in paid daily press was down by 11.0%. *Gazeta*'s share in paid dailies advertising market decreased in the first quarter of 2003 by 1.7pp to 48.6% and was attributed chiefly to a decline in *Gazeta*'s share in national advertising market, which reached 63.2% (2.4pp down). In Warsaw local advertising market *Gazeta* had an 83.6% share (down 3.0pp), and in other local markets *Gazeta*'s share was up by 0.8pp to 28.9%.

In the said period, *Gazeta*'s revenue from several major categories of the national dailies market increased. In official announcements – one of the key advertising categories in the national dailies market – *Gazeta*'s revenue increased by 6% and its share grew by 9pp, all at the expense of its major competitor in this category, namely *Rzeczpospolita*. In the employment category, *Gazeta* recorded a 4% increase in revenue and 3pp increase in share. We also recorded a positive trend in revenue from the travel advertising (up 11%).

Revenue from *Gazeta*'s inserts in the first quarter of 2003 was PLN 3.0 million (down 15.0% yoy).

2.2 COST OF PRODUCTION of *Gazeta Wyborcza* (newsprint and printing)

In the first quarter of 2003, *Gazeta*'s production volume decreased by 4.8% yoy (a total of 4.5 billion pages were printed).

Production materials (mainly newsprint purchased by Agora) and external printing services are exposed to foreign exchange risk (EURO appreciation vis a vis PLN). In the first quarter of 2003, an average EURO exchange rate grew by about 15.8% yoy, and by 4.8% against the fourth quarter of 2002.

*As of March 2003, *Gazeta Wyborcza*'s cost structure changes gradually: external printing plants provide *Gazeta* with printing services performed on their own newsprint (until now the newsprint was supplied by Agora). As a result, an increase in cost of printing services in external plants (printing and newsprint provided by the external plant) along with a decrease in use of newsprint purchased by Agora for the production of *Gazeta Wyborcza* should be expected from the second quarter of 2003 on.*

Cost of *Gazeta*'s outsourced printing services amounted to PLN 3.9 million in the first quarter of 2003 (a 15.0% decline). Agora outsources printing of products that require heat-set technology (*High Heels*, *Color Magazine*, cover of the *TV Guide*). In the said period, 0.4 billion pages were printed externally (24.4% less than in the first quarter of 2002), which accounted for 9.0% of the total production volume. This drop in volume of the outsourced production results primarily from changing the format of the *TV Guide* (as of October 4, 2002), transferring part of the stitching of the *TV Guide* to the Agora Group's plant, and transferring production of *The Cartoons* to Agora's own plant (as of September 20, 2002).

In-house printing cost (*) of *Gazeta* (Bialoleka, Pila, Agora Poligrafia) reached PLN 21.7 million in the first quarter of 2003, 84.3% of which was fixed cost.

In-house printing cost of <i>GW</i> (*) in PLN million	I Q 2003	I Q 2002	% change yoy
Total fixed costs	18.3	18.8	(2.6%)
incl. D&A	10.0	9.4	7.1%
Variable costs (*)	3.4	3.0	11.7%
TOTAL fixed and variable costs	21.7	21.8	(0.6%)

(*) excluding newsprint purchased by Agora — this cost has been discussed below.

Increase in D&A in the first quarter of 2003 results from printing presses and other printing equipment put in use in October 2002.

Increase in “variable cost” results chiefly from higher EURO/PLN exchange rate.

Cost of newsprint purchased by Agora for the production of *Gazeta Wyborcza* amounted to PLN 26.6 million and was 10.1% lower than in the first quarter of 2002. 12.8 thousand tons of newsprint were used, which was 7.1% less yoy. An average newsprint price in EURO in the first quarter of 2003 fell by about 14% yoy.

The total of: newsprint, external printing services and in-house printing cost without D&A dedicated to *Gazeta Wyborcza* in the first quarter of 2003 amounted to PLN 42.2 million and was lower by 9.6% than in the first quarter of 2002.

3. FREE PRESS

3.1 Metro

The free newspaper *Metro* is distributed in two Polish cities: twice a week in Warsaw and once a week in Katowice. An average daily circulation in March 2003 was at the level of 150 thousand copies in Warsaw and 71 thousand in Katowice.

In the first quarter of 2003, revenue from publishing *Metro* reached PLN 0.8 million and was higher than the total cost of production materials, distribution and editorial. The cost amounted to PLN 0.7 million.

Metro's share in Warsaw free press market stood at 22.1% in the first quarter of 2003.

On April 12, 2003, falls the first anniversary since *Metro* was first published with its circulation of 150 thousand copies. *Metro*'s total cost of production materials, distribution and editorial in the period of twelve months (between April 2002 and March 2003) was lower than its advertising revenue.

3.2 Free Gazeta Wyborcza

Free *Gazeta Wyborcza* has been distributed on Sundays :

- since April 2002 - *Gazeta Wyborcza – A Week in Bydgoszcz* with a circulation of 15,000 copies;
- since March 2003 - *Gazeta Wyborcza – A Week in Torun* with a circulation of 15,000 copies;
- since April 2003 - *Gazeta Wyborcza – A Week in Bialystok* with a circulation of 12,000 copies.

4. THE MAGAZINES

In the second quarter of 2002, the press segment incorporated the Magazines:

- in April 2002, Agora SA signed an agreement to purchase the enterprise of Proszynski i S-ka - Czasopisma Sp. z o.o. consisting of 12 magazines published by that company;
- in October 2002, Agora SA purchased publishing rights to 4 motorcycle titles;
- on October 31, 2002, the company City Magazine Sp. z o.o. (the publisher of *City Magazine* – free monthlies published in seven Polish cities) was incorporated into Agora SA.

Between January and March 2003 Agora SA published:

- 11 monthlies – *Poradnik Domowy, Cztery Katy, Ladny Dom, Kwietnik, Ogrody Ogrodki Zielence, Kuchnia Magazyn Dla Smakoszy, Lubie Gotowac, Dziecko - Miesiecznik Troskliwych Rodzicow, Wiedza i Zycie, Swiat Motocykli, Auto+*;
- a quarterly – *Bukiety*;
- an annual – *Motocykle Swiata*;
- two special editions – *Dziecko-Noworodek* and *Swiat Motocykli-Motocykle Uzywane*;
- free monthlies *City Magazine* distributed in seven Polish cities.

In the first quarter of 2003, the organizational restructuring of the acquired magazines business was completed. Publishing groups were set up, as well as a separate graphic studio and a production coordination section. The rules of cooperation between the Magazines department and other departments of the Company (photo studio, distribution, internet, IT) were set up. All these measures aim at costs optimization, along with providing more efficient distribution, better service for the subscribers and wider scope of advertising services offered.

In the first three months of 2003 Agora realized the adopted strategy which assumes building copy sales and readership position of its magazines, throughout 2003 in order to significantly improve their share in the advertising market in following years. This strategy has been accompanied by an active promotion of the selected titles, as well as changes in editorial structure and appeal of the magazines.

In February 2003, the first issue of monthly automotive titled *Auto+* was published. The magazine substituted *Motomagazyn*. The copy sales of the first two issues of *Auto+* in an average amount of almost 80,000 copies and turned out to be a success. To compare, an average monthly copy sales of *Motomagazyn* in 2002 amounted to about 32,000. *Auto+* is to provide guidelines for people looking for a new car.

In March 2003, revamped *Poradnik Domowy* entered the market. The monthly received a new formula, logo, larger format and volume as well as better paper. The magazine widened its appeal to attract new readers – younger, better educated, who live in towns and cities – but in such a way that it should keep the interest of the old ones. The paid circulation of the first issue of revamped *Poradnik Domowy* reached almost half a million copies.

Wiedza i Zycie can also boast of its new formula and editorial content. The first issue of the revamped magazine appeared in the market in April 2003. The first data on the number of copies sold are promising: 90,000 copies sold during the first 5 days.

The market launch of all the said titles was supported with an intensive promotion campaign in media including television and other, accessible within the Agora Group such as: radio, outdoor (AMS's panels), *Gazeta Wyborcza*, the *gazeta.pl* portal and magazines owned by Agora.

As a result of the above described strategy and cost increase (e.g. promotion) in 2003, the Management Board does not expect the Magazines to break even on EBITDA level this year.

THE RESULTS OF THE MAGAZINES

in PLN million	I Q 2003
Total revenue	15.8
incl. copy sales	9.1
incl. advertising revenue	6.6
Operating cost	(19.0)
incl. printing service (*)	(6.7)
incl. payroll and other staff costs	(4.6)
incl. advertising and representation	(4.2)
incl. D&A	(1.7)
EBIT	(3.2)
EBIT margin	(20.5%)
EBITDA	(1.6)
EBITDA margin	(10.1%)
Full-time employment at the end of the period	221
Average monthly circulation [million copies] (total circulation of all titles)	1.8

(*) the whole volume of the Magazines was printed externally (printing service includes newsprint purchase)

The magazine advertising market was down by 2.8% in the first quarter of 2003 yoy. The share of Agora's magazines in the magazine advertising market reached 4.0% (excluding the *City Magazine* free monthlies).

III.B. AMS

In the third quarter of 2002 Agora SA began the process of acquiring AMS S.A. Until September 30, 2002 the shares purchased by Agora SA constituted 16.63% of AMS share capital and 29.92% of total voting rights at the General Meeting of Shareholders. As for September 30, 2002 AMS S.A. was classified as the associated company and the investment in AMS S.A. shares was accounted for using the equity method.

In the fourth quarter of 2002, Agora SA increased its stake in AMS S.A. share capital to 99.48%, which enabled it to execute 99.57% of votes at the General Meeting of Shareholders of the company.

On April 28, 2003 Agora SA acquired 8,151 shares of AMS S.A. and increased its stake in share capital to 99.68%, which enabled it to execute 99.73% of votes at the General Meeting of Shareholders.

From the fourth quarter of 2002, the financial results and the Balance Sheet of the AMS Group (AMS S.A., Adpol Sp. z o.o., Akcent Media Sp. z o.o.) are consolidated with the Agora Group by means of the full method.

1. THE INFLUENCE ON THE MAJOR ITEMS OF THE PROFIT AND LOSS ACCOUNT OF THE INCLUSION TO THE CONSOLIDATION THE FINANCIALS OF THE AMS GROUP

in PLN million	I Q 2003
Sales	20.3
Operating profit (loss)	(2.6)
Profit on financial activity	(2.4)
Profit (loss) before income taxes	(5.0)
Income taxes	(0.0)
Net profit (loss)	(5.0)

The table above provides information on the differences between the consolidation of the Agora Group and pro forma consolidation of Agora SA, Agora Poligrafia Sp. z o.o. and subsidiary and associated radio companies.

2. RESULTS OF THE AMS GROUP

In the fourth quarter of 2002 and the first quarter of 2003, we restructured the AMS S.A. liabilities toward banks and overdue trade payables. Short-term bank loans and commercial papers were mainly replaced by long-term loans from Agora SA. Until December 31, 2002, Agora's loans granted to AMS S.A. totaled PLN 55 million. Majority of the amount was used for the repayment of bank loans (PLN 53 million).

During the first two months of 2003 Agora granted loans to AMS S.A totaling PLN 10 million.

In March 2003, AMS S.A. repaid PLN 35 million from the total amount of debt, reducing the debt toward Agora to PLN 30 million. Also in March 2003, Agora paid in cash for the new issue of shares of AMS S.A. in the amount of PLN 30 million. As for the date of publication of the financial statements for the first quarter of 2003, the increase of the Company's share capital has not entered into commercial register, yet. Agora informed about loans granted and new issue of shares of the AMS in current reports dated January 14, 2003, February 13, 2003 and March 14, 2003, respectively.

Agora's financing was also partly used to reduce the amount of the overdue trade payables.

In the first quarter of 2003, AMS S.A. repaid almost PLN 17 million of its short-term liabilities (commercial papers and bank loans) and consequently reduced its liabilities to PLN 8.2 million. Additionally, in April 2003, the company repaid about PLN 3 million of bank loans.

In the first quarter of 2003, the final settlement of the payments of former controlling shareholders of AMS S.A. took place (as a result of the agreement between these shareholders and Agora S.A. obligating them to sell shares of AMS S.A.).

In the fourth quarter of 2002 and the first quarter of 2003, the total amount of payments received by AMS S.A. in the process of implementing the above mentioned agreement amounted to PLN 18.4 million and PLN 25 million (excluding VAT), respectively.

In the first quarter of 2003 the implementation of restructuring measures continued.

The changes in the sales area include:

- integration of the sales teams of the AMS Group, that enables the clients to purchase advertising campaigns on all advertising panels owned by the AMS Group at one stop shop;
- changes in the trading policy of AMS S.A., including introduction of a standardized rate card, specification of clear rules for granting discounts;
- further work on increasing the quality of services provided to clients like contract preparation and realization of the advertising campaigns.

Changes in operating activity include:

- renegotiation of the rent contracts for the advertising panels;
- renegotiation of contracts and partial replacement of subcontractors who service the panels (installation, cleaning, maintenance);
- defining the scope of the necessary optimization of employment.

THE RESULTS OF THE AMS GROUP

PROFIT AND LOSS ACCOUNT in PLN million	I Q 2003	I Q 2002	% change yoy
Sales	23.6	21.8	8%
incl. ad sales	23.4	21.3	10%
Operating cost	(24.2)	(34.3)	(29%)
Raw materials and consumables	(1.1)	(1.1)	(0%)
Payroll and staff cost	(3.3)	(4.5)	(27%)
D&A	(4.8)	(5.1)	(6%)
Other operating expenses	(15.0)	(23.6)	(36%)
Incl. rents	(9.8)	(12.5)	(22%)
Operating profit (loss)	(0.6)	(12.5)	-
Result from financial activity	(2.5)	(1.8)	-
Profit (loss) before income taxes	(3.1)	(14.2)	-
Net profit (loss)	(3.1)	(14.9)	-
EBIT	(0.6)	(12.5)	-
EBIT margin (EBIT/Revenue)	(3%)	(57%)	54 pp
EBITDA	3.6	(7.9)	-
EBITDA margin (EBITDA/Revenue)	15%	(36%)	51 pp
Full time employment at the end of the period	329	369	(11%)
Number of advertising faces*)	22,335	24,935	(10%)

*) without advertising panels of Akcent Media Sp. z o.o. installed on petrol stations

In the first quarter of 2003, the outdoor market recorded a 5.0% decline yoy. Estimated share of AMS in the outdoor market fell by 1.8 pp to 27.5% (in 12 largest cities, source: AMS based on rate card data of *Media Watch* monitoring 2002 – distribution, coping and reproduction possible only under the permission of *Media Watch*, tel. +48 71 341 47 11). The data does not include campaigns carried out outside the 12 agglomerations, where AMS is the leader.

In the first quarter of 2003, net revenue increased by around 8% yoy and amounted to PLN 23.6 million. The increase resulted chiefly from:

- the PLN 3.5 million revenue from the advertising campaigns for the companies, in which Agora SA holds stakes of (including PLN 3.3 million for the companies consolidated by means of the full consolidation method);
- the PLN 4.9 million advertising revenue from former controlling shareholder of AMS S.A. (pursuant to the provisions of the agreement on the sale of AMS shares).

The decrease of operating cost by 29% is the effect of restructuring measures (staff cuts, reducing the size of the system of panels, renegotiation of the rental fees and cost of advertising campaigns).

The operating cost was also lower on the back of revenue gained by AMS S.A. on advertisings purchased by its former largest shareholder, which was part of the agreement signed in 2002 and which did not - in most cases - involve any additional cost of the campaign. This revenue and lack of related cost brought about better financial results and margin rates (EBIT/EBITDA) in the first quarter of 2003. However, in the upcoming quarters of 2003, the margins may go down since the gains from the agreement were one-off.

III.C. RADIO

Development of the radio group is the key element in Agora's growth strategy. Therefore, Agora actively expands its local radio group by acquiring new stations (Agora's portfolio grew by 6 new local radio stations vs. March 2002 portfolio), as well as increasing its stake in the stations already in the portfolio. Radio companies which have not yet reached profitability are guaranteed with Agora's financing.

Building up a strong market position by the new stations is the key element of the growth strategy of the Radio Group for the upcoming years.

1. THE INFLUENCE OF THE RADIO RELATED COMPANIES ON THE FINANCIALS OF THE AGORA GROUP

The first consolidated statement of the Agora Group including subsidiary and associated companies in the radio business was prepared for the second quarter of 2002.

In the first quarter of 2003, 21 radio related companies were included in the consolidation (the list of companies and Agora's stake in their share capital was presented in part II point 1 of this comment). Three companies operating in the radio business, in which Agora owns shares, are not consolidated as they are immaterial from the perspective of the accounting standards.

Influence of inclusion of 21 radio related companies in consolidation on the major items of the Profit and Loss Account of the Agora Group

in PLN million	I Q 2003
Sales	5.6
Operating profit (loss)	(2.1)
Interest in net results of associates	(0.3)
Profit on financial activity	0.3
Profit (loss) before income taxes	(2.1)
Income taxes	(0.3)
Minority interests	(0.2)
Net profit (loss)	(2.6)

The table above provides information on the differences between consolidation of Agora SA, Agora Poligrafia Sp. z o.o., subsidiary and associated companies of the radio business and pro forma consolidation of Agora SA, Agora Poligrafia Sp. z o.o..

In sum, including:

- the influence of consolidation of 21 radio related companies,
 - the cost of the Radio division which supervises the radio stations,
 - operating profits and cost of Agora SA referring to unconsolidated companies of radio business,
- the radio operations lowered the Group's net result by PLN 3.9 million in the first quarter of 2003.

2. RESULTS OF RADIO STATIONS

As for the end of the first quarter of 2003, Agora SA held stakes in 24 companies of radio business in Poland (4-100% of share capital), which enabled Agora to influence the management process in 28 local radio stations (27 broadcasting their programs) and the superregional radio station TOK FM.

On December 31, 2002, one of Agora's stations (*Twoje Radio Walbrzych*) stopped broadcasting its radio program. The reason was the Broadcast Council's refusal to renew the radio's license. The company appeals against the decision to the Supreme Administrative Court.

On January 1, 2003, *Radio Echo Krakow* started its trial period of broadcasting.

On March 31, 2003 Agora SA sold shares of the company Multimedia Plus Sp. z o.o. (24% of share capital) by virtue of the conditional agreement on the sale of shares dated October 30, 2002 entered into by Agora SA and the purchaser of shares - a physical person. After the transaction, the Agora's stake in Multimedia Plus share capital amounts to 23.99%. The detailed information concerning this transaction was provided in the current report dated April 14, 2003.

Local radio stations

In the first quarter of 2003, the local radio stations group maintained the third position – after RMF FM and Radio Zet – on the audience and advertising market in Poland:

- the share in the audience market amounted to 13.55% (in a target group 20-50, local markets Agora is present on),
- the share in the total radio advertising market amounted to 10.8%.

In the first quarter of 2003, Agora's radio stations share in the advertising market of local radio stations increased by 5pp and reached 35%.

The data presented below are the sum of the financials of local radio stations operated by 23 radio companies (proforma consolidation of the financials of radio stations operating in Poznan resulting from the specification of its business activity).

Agora's local radio stations Group in PLN million	I Q 2003	I Q 2002	% <i>change</i> <i>yoy</i>
Total revenue of the Group	9.0	8.2	9.1%
incl. ad revenue	8.4	7.7	8.8%
Net profit	(4.7)	(1.7)	-
EBITDA	(2.8)	(0.4)	-
EBITDA margin (EBITDA/Revenue)	(31.4%)	(4.4%)	(27.0 pp)
Full-time employment at the end of the period	423	318	33.3%

Superregional radio station TOK FM

Agora SA holds shares of Inforadio Sp z o.o. (constituting 41.6% of the share capital), which is the owner of superregional radio station *TOK FM*. In the first quarter of 2003, net revenue amounted to PLN 0.1 million (incl. ad revenue - 72.6% of the amount), EBITDA was negative PLN 0.5 million, net loss of PLN 2.2 million.

III.D. INTERNET (with allocations)

in PLN million	I Q 2003	I Q 2002	% <i>change</i> <i>yoy</i>
Total revenue	2.0	1.1	81.9%
incl. advertising revenue	1.7	0.9	96.3%
Operating cost	(7.3)	(7.8)	(6.0%)
incl. advertising and representation	(0.5)	(0.3)	72.6%
incl. D&A	(3.7)	(3.7)	(0.2%)
incl. payroll and other staff cost	(1.7)	(2.2)	(22.6%)
EBIT	(5.3)	(6.7)	-
EBITDA	(1.6)	(3.0)	-
Full-time employment at the end of the period	73	99	(25.9%)

IV. ADDITIONAL INFORMATION

Changes in the holdings of shares and rights to shares that took place in 1Q 2003:

1. Changes in the holdings of shares and rights to shares by the members of the Management Board:

a. Shares

	as of 31/03/2003	change	as of 31/12/2002
Wanda Rapaczynski	1,377,535	0	1,377,535
Piotr Niemczycki	1,855,680	0	1,855,680
Helena Luczywo	1,327,329	0	1,327,329
Zbigniew Bak	92,484	0	92,484

b. Rights to shares

	as of 31/03/2003	change	as of 31/12/2002
Wanda Rapaczynski	0	0	0
Piotr Niemczycki	0	0	0
Helena Luczywo	0	0	0
Zbigniew Bak	0	0	0

- During the WSE trading sessions that took place between April 16 and 17, 2003 the Deputy President of the Management Board – Helena Luczywo sold 48,761 of Agora’s ordinary bearer shares at the average price of PLN 41.96 per share. The Company disclosed the information concerning the disposal of shares in the current report dated April 18, 2003.

2. Changes in the holdings of shares and rights to shares by the members of the Supervisory Board:

	as of 31/03/2003	change	as of 31/12/2002
Anna Fornalczyk	0	0	0
Brian Cooper	0	0	0
Tomasz Sielicki	33	0	33
Stanislaw Soltysinski*	-	-	-
Louis Zachary	0	0	0

* *Stanislaw Soltysinski invests in a "blind trust" fund.*

3. Shareholders entitled to exercise over 5% of the total voting rights at the General Meeting of Shareholders:

Due to the Company’s best knowledge as of the day of publishing the financial statement for the first quarter of 2003, the following shareholders were entitled to exercise more than 5% of voting rights at the Company’s General Meeting of Shareholders:

	no. of shares	% of share capital	no. of votes	% of voting rights
as of 12/05/2003				
Agora-Holding Sp. z o.o.	14,591,559	25.71%	31,717,959	41.82%
Cox Poland Investment, Inc.	5,818,450	10.25%	7,774,690	10.25%
Deutsche Bank Trust Company Americas	4,847,724	8.54%	4,847,724	6.39%

- On April 14, 2003 Agora and its shareholder - Agora-Holding Sp. z o.o. entered into the annex no. 2 to the agreement dated December 15, 2000 which regulated the principles of disposal of Agora SA series B shares by Agora-Holding. The Annex stipulates that with respect to less than 2,500,000 registered series B shares, the rules of disposal may be established according to the provisions of "Rules of acquiring series B Shares of Agora SA within employee share plan in 2003". Detailed information concerning the annex and rules of disposal of series B shares were provided by the Company in the current report dated April 14, 2003.

V. NOTES TO THE FINANCIAL STATEMENT

The financial statement was prepared in accordance with the International Financial Reporting Standards adopted by Agora for the purpose of valuing assets, liabilities and calculation of net profit for the day of report and presented in detail in the Introduction to the annual financial statement for the year of 2002.

As for March 31, 2003, the Group has not entered into litigation or has been litigated for claims or liabilities that in total exceed 10% of the Agora Group’s equity.

Agora SA

Consolidated balance sheets as at 31 March 2003 and 2002

(all amounts in PLN thousands unless otherwise indicated)

	As at 31 March	
	2 003	2 002
Assets		
Long-term assets:		
Property, plant and equipment	878 953	797 226
Intangible assets	262 020	23 018
Investments	28 173	72 941
Investments in associates	8 022	-
	<u>1 177 168</u>	<u>893 185</u>
Current assets:		
Cash and cash equivalents	55 446	160 948
Short-term securities and other financial assets	12 937	4 198
Accounts receivable and prepayments	127 071	96 289
Inventories	13 058	13 627
	<u>208 512</u>	<u>275 062</u>
Total assets	<u>1 385 680</u>	<u>1 168 247</u>
Shareholders' equity and liabilities		
Shareholders' equity:		
Share capital	56 758	56 758
Share premium	353 646	353 646
Retained earnings and other reserves	647 890	626 704
	<u>1 058 294</u>	<u>1 037 108</u>
Minority interests	<u>1 689</u>	<u>-</u>
Long-term liabilities:		
Long-term borrowings	139 500	-
Deferred income taxes	40 212	28 164
	<u>179 712</u>	<u>28 164</u>
Long term provisions, deferred credits	17 614	9 600
Current liabilities:		
Accounts payable and accrued charges	120 128	93 375
Short-term borrowings	8 243	-
	<u>128 371</u>	<u>93 375</u>
Total liabilities and shareholders' equity	<u>1 385 680</u>	<u>1 168 247</u>

Agora SA
Consolidated income statements for three months ended 31 March
2003 and 2002

(all amounts in PLN thousands unless otherwise indicated)

	3 months ended 31 March	
	<u>2 003</u>	<u>2 002</u>
Sales	198 588	165 551
Operating costs	<u>(197 080)</u>	<u>(146 675)</u>
Operating profit	1 508	18 876
Interest in results of associates	(251)	-
Gain on disposal of shares in an associate	322	-
Provision for losses on investments	(922)	(986)
Interest and financial items	<u>(3 821)</u>	<u>5 594</u>
Profit before income taxes	(3 164)	23 484
Income taxes	(1 408)	(6 984)
Minority interests	<u>(213)</u>	<u>-</u>
Net profit for the period	<u>(4 785)</u>	<u>16 500</u>
Earnings per share (in PLN)	<u>(0,08)</u>	<u>0,29</u>

Agora SA
Consolidated cash flow statements for three months ended 31
March 2003 and 2002
(all amounts in PLN thousands unless otherwise indicated)

	3 months ended 31 March	
	2 003	2 002
Operating activities		
Operating profit	1 508	18 876
Depreciation of plant, property and equipment	31 361	22 675
Amortisation of intangible assets and goodwill	4 969	689
	<u>37 838</u>	<u>42 240</u>
Loss on disposal of plant, property and equipment	244	(140)
Movement in operating working capital	(3 202)	11 009
Net cash inflow before financial items and income taxes	<u>34 880</u>	<u>53 109</u>
Interest received net	587	2 239
Foreign exchange translation gains / (losses)	(429)	1 987
Tax paid	(696)	(83)
Net cash from operating activities	<u>34 342</u>	<u>57 252</u>
Investing activities		
Capital expenditure, net	(10 740)	(72 250)
Investments in subsidiary and associate undertakings	(1 920)	(9 093)
Net cash on sale and purchase of other long-term investments	9 665	(2 203)
Redemption of and income from short-term securities	(5 501)	53 824
Net gains on forward foreign exchange contracts	-	538
Net cash used in investing activities	<u>(8 496)</u>	<u>(29 184)</u>
Financing activities		
Increase / (decrease) in borrowings	(16 969)	-
Interest and fees paid	(2 912)	-
Net cash from financing activities	<u>(19 881)</u>	<u>-</u>
Change in cash and cash equivalents	<u>5 965</u>	<u>28 068</u>
Movements in cash and cash equivalents		
At start of period	49 481	132 880
Increase/(Decrease)	5 965	28 068
At end of period	<u>55 446</u>	<u>160 948</u>

Agora SA

Consolidated statement of changes in shareholders' equity for three months ended 31 March 2003

(all amounts in PLN thousands unless otherwise indicated)

	Share capital	Share premium	Retained earnings	Other	Total
As at 31 December 2001	56 758	353 646	609 057	1 147	1 020 608
Adjustment from initial consolidation of certain subsidiaries and associates (see note below)	-	-	(8 576)	-	(8 576)
Net profit for the period	-	-	51 047	-	51 047
As at 31 December 2002	56 758	353 646	651 528	1 147	1 063 079
Net profit for the period	-	-	(4 785)	-	(4 785)
As at 31 March 2003	56 758	353 646	646 743	1 147	1 058 294

As a result of the initial consolidating of certain subsidiary and associate companies that were not consolidated as at 31 December 2001 (as specified in the management comments), the opening balance of shareholders' equity as at 1 January 2002 was decreased by PLN 8,576 thousand. This represents Group's share in accumulated losses since acquisition of the consolidated companies at that date and amortisation of the consolidation goodwill for the period up to 1 January 2002.