

AGORA SA

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
as at 30 June 2004 and for 6 month period ended thereon
with comparative figures
prepared under
INTERNATIONAL FINANCIAL REPORTING STANDARDS

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Agora SA**Consolidated balance sheets as at 30 June 2004, 31 December 2003 and 30 June 2003**

(all amounts in PLN thousands unless otherwise indicated)

	As at 30 June Note <u>2004</u>	As at 31 <u>December 2003</u>	As at 30 <u>June 2003</u>
Assets			
Non-current assets:			
Property, plant and equipment	777,269	820,079	855,471
Intangible assets	261,678	258,645	257,663
Investments	20,873	30,597	28,089
Investments in associates	6,315	8,602	10,808
Receivables and prepayments	977	1,055	1,211
Deferred tax assets	17,023	14,567	7,920
	<u>1,084,135</u>	<u>1,133,545</u>	<u>1,161,162</u>
Current assets:			
Inventories	12,339	15,166	13,162
Accounts receivable and prepayments	155,306	124,014	136,483
Income tax receivable	5,862	5,564	2,893
Short-term securities and other financial assets	69,901	49,288	59,821
Cash and cash equivalents	52,774	49,301	27,863
	<u>296,182</u>	<u>243,333</u>	<u>240,222</u>
Total assets	<u>1,380,317</u>	<u>1,376,878</u>	<u>1,401,384</u>

Agora SA**Consolidated balance sheets as at 30 June 2004, 31 December 2003 and 30 June 2003**

(all amounts in PLN thousands unless otherwise indicated)

		As at 30 June 2004	As at 31 December 2003	As at 30 June 2003
Shareholders' equity and liabilities				
Shareholders' equity:				
Share capital		56,758	56,758	56,758
Share premium		353,646	353,646	353,646
Retained earnings and other reserves		659,751	654,842	660,909
		<u>1,070,155</u>	<u>1,065,246</u>	<u>1,071,313</u>
Minority interest		<u>848</u>	<u>1,273</u>	<u>959</u>
Non-current liabilities:				
Interest bearing loans and borrowings	5	122,065	139,564	122,066
Retirement severance provision		1,479	1,622	1,542
Deferred tax liabilities		45,523	42,318	52,327
Provisions		882	1,034	9,031
Deferred revenues and accruals		3,071	3,728	5,155
		<u>173,020</u>	<u>188,266</u>	<u>190,121</u>
Current liabilities:				
Retirement severance provision		19	22	276
Accounts payable		84,235	81,429	83,871
Income tax liabilities		160	253	686
Short-term borrowings	5	17,659	623	23,546
Provisions		6,218	8,118	4,238
Deferred revenues and accruals		28,003	31,648	26,374
		<u>136,294</u>	<u>122,093</u>	<u>138,991</u>
Total liabilities and shareholders' equity		<u>1,380,317</u>	<u>1,376,878</u>	<u>1,401,384</u>

See accompanying notes to the condensed interim consolidated financial statements.

Agora SA
Consolidated income statement for six months ended 30 June 2004
with comparative figures for 2003
(all amounts in PLN thousands unless otherwise indicated)

		Six months ended 30 June	
	Note	<u>2004</u>	<u>2003</u>
Sales	6	474,954	426,235
Cost of sales	7	<u>(296,084)</u>	<u>(272,204)</u>
Gross profit		178,870	154,031
Selling expenses	7	(87,864)	(67,755)
Administrative expenses	7	(54,688)	(58,839)
Other operating income	7	9,274	11,577
Other operating expenses	7	<u>(26,814)</u>	<u>(17,414)</u>
Operating profit / (loss)		18,778	21,600
Finance cost, net	8	(2,291)	(4,485)
Share of results of associates		(974)	(851)
Gain on disposal of shares in subsidiaries and associates		-	322
Allowance for losses on investments, net		<u>(1,802)</u>	<u>(1,402)</u>
Profit / (loss) before income taxes		13,711	15,184
Income tax expense		(1,556)	(6,459)
Minority interests		<u>(374)</u>	<u>(491)</u>
Net profit / (loss) for the period		<u>11,781</u>	<u>8,234</u>
Earnings per share (in PLN)		<u>0.21</u>	<u>0.15</u>

See accompanying notes to the condensed interim consolidated financial statements.

Agora SA
Consolidated statement of changes in shareholders' equity for six months ended 30 June 2004
with comparative figures for 2003
(all amounts in PLN thousands unless otherwise indicated)

	<u>Share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Other</u>	<u>Total</u>
Six months ended 30 June 2003					
As at 31 December 2002	<u>56,758</u>	<u>353,646</u>	<u>651,528</u>	<u>1,147</u>	<u>1,063,079</u>
Net profit / (loss) for the period	-	-	8,234	-	8,234
As at 30 June 2003	<u>56,758</u>	<u>353,646</u>	<u>659,762</u>	<u>1,147</u>	<u>1,071,313</u>
Twelve months ended 31 December 2003					
As at 31 December 2002	<u>56,758</u>	<u>353,646</u>	<u>651,528</u>	<u>1,147</u>	<u>1,063,079</u>
Adjustment from consolidation of subsidiary previously consolidated as associate company	-	-	49	-	49
Net profit / (loss) for the period	-	-	2,118	-	2,118
As at 31 December 2003	<u>56,758</u>	<u>353,646</u>	<u>653,695</u>	<u>1,147</u>	<u>1,065,246</u>
Six months ended 30 June 2004					
As at 31 December 2003	<u>56,758</u>	<u>353,646</u>	<u>653,695</u>	<u>1,147</u>	<u>1,065,246</u>
Change of accounting policy	-	-	(6,872)	-	(6,872)
Net profit / (loss) for the period	-	-	11,781	-	11,781
As at 30 June 2004	<u>56,758</u>	<u>353,646</u>	<u>658,604</u>	<u>1,147</u>	<u>1,070,155</u>

See accompanying notes to the condensed interim consolidated financial statements.

Agora SA**Consolidated cash flow statement for the six months ended 30 June 2004****with comparative figures for 2003**

(all amounts in PLN thousands unless otherwise indicated)

	Six months ended 30 June	
	2004	2003
Cash flows from operating activities		
Net profit / (loss) before income taxes	13,711	15,184
Adjustments for:		
Share of results of associates	974	851
Depreciation of plant, property and equipment	53,274	61,704
Amortisation of intangible assets and goodwill	10,438	9,746
Foreign exchange (gain) / loss	(15)	-
Interest, net	4,234	5,157
Investment (income) / cost	6,700	1,027
(Decrease) / increase in provisions	(2,206)	(1,136)
(Increase) / decrease in inventories	2,827	1,577
(Increase) / decrease in receivables and prepayments	(28,612)	(2,012)
(Decrease) / increase in payables	4,186	(23,590)
(Decrease) / increase in deferred revenues and accruals	(6,490)	(1,418)
Other adjustments	(36)	27
Cash generated from operations	58,985	67,117
Income taxes (paid) / returned	(1,109)	2,119
Net cash from operating activities	57,876	69,236
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and intangibles	148	341
Disposal of subsidiary, net of cash disposed	-	400
Interest received	34	-
Redemption/(acquisition) of short-term securities	(26,341)	(48,412)
Payment from former shareholders of AMS SA	-	10,000
Other	1,498	-
Purchase of property plant and equipment and intangibles	(16,487)	(17,524)
Acquisition of subsidiary (net of cash acquired) and associates	(2,641)	(4,180)
Loans made	(5,169)	(5,568)
Other	-	(358)
Net cash used in investing activities	(48,958)	(65,311)

Agora SA**Consolidated cash flow statement for the six months ended 30 June 2004****with comparative figures for 2003**

(all amounts in PLN thousands unless otherwise indicated)

	Six months ended 30 June	
	2004	2003
	<u> </u>	<u> </u>
Cash flows from financing activities		
Proceeds from borrowings	224	3,962
Dividends paid	(799)	(1,008)
Repayment of borrowings	(619)	(14,144)
Repayment of debt instruments issued	-	(9,000)
Payment of finance lease liabilities	-	(185)
Interest and fees paid	<u>(4,251)</u>	<u>(5,168)</u>
Net cash used in financing activities	(5,445)	(25,543)
	<u> </u>	<u> </u>
Net increase in cash and cash equivalents	3,473	(21,618)
	<u> </u>	<u> </u>
Cash and cash equivalents		
At start of period	49,301	49,481
At end of period	<u>52,774</u>	<u>27,863</u>

See accompanying notes to the condensed interim consolidated financial statements.

Agora SA

Notes to the condensed consolidated financial statements for six months ended 30

June 2004

with comparative figures for 2003

(all amounts in PLN thousands unless otherwise indicated)

1. General information

Agora SA with its registered seat in Poland, 00-732 Warsaw, Czerna 8/10 street ("the Company") principally produces, sells and promotes Gazeta Wyborcza the daily newspaper, magazines and other periodicals in Poland and controls or exercises significant influence over 25 radio operating companies (29 stations broadcasting at 30 June 2004). Additionally the Company is active in the outdoor segment through an acquired subsidiary, Art Marketing Syndicate SA ("AMS").

The Group comprises Agora SA and 21 subsidiaries. Additionally Agora SA exercises significant influence over 8 associate companies. During the interim period, the scope of consolidation has been affected by acquisitions of a 51% and a 73% interests in Radio Klakson Sp. z o.o. and Radio Wanda Sp. z o.o. respectively and Agora SA controls 100% shares in both companies (for details please refer to the note 3).

In addition the Group acquired a 49% interest in Tres Sp. z o.o., which is accounted for using equity method.

The Group operates in all the major cities in Poland.

Financial statements are presented for six months ended 30 June 2004, with comparative figures presented for six months ended 30 June 2003.

The financial statements were authorised for issue by the directors on 27 September 2004.

2. Significant accounting policies

The Consolidated Balance Sheets as of 30 June 2004 and 30 June 2003, the Consolidated Income Statements, the Consolidated Cash Flows Statements and the Consolidated Statements of Changes in Shareholders' Equity for the six months ended 30 June 2004 and 30 June 2003 have been reviewed by independent auditors. The Consolidated Balance Sheet as of 31 December 2003, the Consolidated Income Statement, the Consolidated Cash Flows Statement and the Consolidated Statement of Changes in Shareholders' Equity for the twelve months ended 31 December 2003 have been audited. The Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". Except as described below, in the preparation of these condensed interim consolidated financial statements, the Group has followed the same accounting policies as used in the Consolidated Financial Statements as at 31 December 2003. The Consolidated Financial Statements as at 31 December 2003 have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"). The 30 June 2004 Condensed Interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements as at 31 December 2003.

There were the following changes in accounting policies followed in 2004, compared to those used in preparation of the Consolidated Financial Statements as at 31 December 2003:

(a) changes in accounting policies

Beginning 1 January 2004 the Group adopted revised International Accounting Standard 39 "Financial Instruments: Recognition and Measurement", ("IAS 39") dated 31 March 2004, which among the others specifies that financial instruments such as derivatives embedded into foreign currency contracts are not separated from

Agora SA

Notes to the condensed consolidated financial statements for six months ended 30

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with comparative figures for 2003

(all amounts in PLN thousands unless otherwise indicated)

the host contracts if these contracts are in currencies which are commonly used in the economic environment in which transactions takes place. The Group has lease outdoor location contracts and contracts for supply of services and goods denominated in foreign currencies (United States Dollars and Euro), which are commonly used currencies for these type of contracts in Poland. As a result of early adoption of IAS 39, the Group derecognised financial derivatives embedded into the contracts described above in the amount of PLN 6,872 thousand, which represented fair value of these embedded derivatives at 31 December 2003, net of deferred tax. Due to insignificance of the amount the Group reduced opening balance of consolidated equity at 1 January 2004 by the amount of PLN 6,872 thousand and no adjustments were made to the comparative information for the prior periods.

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Notes to the condensed consolidated financial statements for six months ended 30

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with comparative figures for 2003

(all amounts in PLN thousands unless otherwise indicated)

- (b) changes in presentation and classification of certain balances
- change to the balance sheet presentation of the certain short term financial assets with maturities up to 3 months ("buy sell back" treasury papers and investment fund certificates), which are now presented as "Short term securities and other financial assets", while they were presented as "Cash and cash equivalents" in the financial statements as at 31 December 2003. The balance sheet as at 31 December 2003 has been restated accordingly; "cash and cash equivalents" have been decreased and "short term securities and other financial assets" have been increased by PLN 41,248 thousand in comparison to the balance sheet previously reported as at 31 December 2003,
 - separate disclosure of deferred tax asset and deferred tax liability resulting in an increase in the balance sheet total in the amount of PLN 14,567 thousand and PLN 7,920 thousand as at 31 December 2003 and 30 June 2003 respectively in comparison to previously reported figures (being the amount of deferred tax asset),
 - separate disclosure of "Non-current receivables and prepayments" previously shown in "Non-current investments" and "Accounts receivable and prepayments",
 - disclosure of "Income tax receivable" and "Income tax liability" on the face of the balance sheet - previously shown in "Accounts receivable and prepayments" and "Accounts payable and accrued charges" respectively,
 - separate disclosure of "Retirement benefit obligations" previously shown in "Long term provisions, deferred credits",
 - separate disclosure of non-current and current "Deferred revenues and accruals" previously shown in "Accounts payable and accrued charges",
 - the separate disclosure of "Cost of sales", "Selling expenses", "Administrative expenses", "Other operating income" and "Other operating expenses"; all previously shown in "Operating costs",
 - in the cash flow statement the change is the more detailed breakdown of cash flows from operating activities and separate disclosure of inflows and outflows from investing and financing activities.

The comparative information, except as stated otherwise, as at 31 December 2003, 30 June 2003 and for the six months then ended have been restated, accordingly.

Agora SA**Notes to the condensed consolidated financial statements for six months ended 30****June 2004****with comparative figures for 2003**

(all amounts in PLN thousands unless otherwise indicated)

3. Acquisitions of subsidiaries

The acquisitions of subsidiaries were accounted using the purchase method of consolidation and have the following effect on Group's assets and liabilities:

	Radio Klakson Sp. z o.o.	Radio Wanda Sp. z o.o.
The acquisition date	19.01.2004	30.01.2004
Net result included in the consolidated income statement	(364)	180
Intangible assets	241	66
Property, plant and equipment	117	765
Operating working capital, excluding cash and cash equivalents	(144)	(730)
Cash and cash equivalents	254	265
Interest-bearing loans and borrowings	(2,564)	(1,749)
Provisions and accruals	(69)	(112)
Total net identifiable assets and liabilities of acquired companies	(2,165)	(1,495)
% of net identifiable assets and liabilities acquired by the Group	(1,104)	(1,091)
Other adjustments	268	381
Goodwill on acquisition	4,297	4,680
Total acquisition cost paid, payable in cash	3,461	3,970

From the total acquisition cost of PLN 7,431 thousand the amount of 5,931 thousand was prepaid in 2003.

4. Dividends

At the Annual General Meeting held to approve the Company's statutory financial statements for the year ended 31 December 2003, the shareholders resolved that no dividend would be paid.

5. Long-term and short-term borrowings

As at 30 June 2004 the Group had a PLN 500 million long-term loan facility available from Bank Pekao SA, on the basis of the loan agreement dated 5 April 2002. The tranches drawn as at 30 June 2004 amounted to PLN 139,180 thousand (of which PLN 122,045 was classified as a long term and PLN 17,135 thousand as short term).

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Notes to the condensed consolidated financial statements for six months ended 30
June 2004
with comparative figures for 2003
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6. Sales and segment information

	Six months ended 30 June		Six months ended 30 June	
	2004	2003	2004	2003
	Sales		Operating profit / (loss)	
Press and other media	423,029	380,092	20,758	23,699
Outdoor	68,625	55,663	(68)	(1,858)
Consolidation eliminations	(16,700)	(9,520)	(1,912)	(241)
Consolidated	<u>474,954</u>	<u>426,235</u>	<u>18,778</u>	<u>21,600</u>
	Impairment of assets		Restructuring	
Press and other media	(2,055)	(2,298)	(8,538)	-
Outdoor	(2,750)	(363)	-	(200)
Consolidation eliminations	3	57	-	-
Consolidated	<u>(4,802)</u>	<u>(2,604)</u>	<u>(8,538)</u>	<u>(200)</u>

In the first half of 2004 the restructuring started in Agora SA. The aim of the process is to enhance the effectiveness of Agora SA. Part of the process is the reduction in operating costs through change in managing the business such as centralization of certain operations (finance, payroll) and optimisation of material costs. Restructuring cost includes payments resulting from the lay-offs as well as other cost related to the implementation of the planned restructuring measures in Agora SA. Of the amount mentioned above, net cost of PLN 7,365 thousand was incurred to the balance sheet date and the remaining PLN 1,173 thousand constitutes a restructuring provision. Total restructuring cost amounted to PLN 8,538 thousand, including PLN 2,020 thousand of a write-off of goodwill of *City Magazine*.

7. Total operating costs

	Six months ended 30 June	
	2004	2003
Cost of sales	(296,084)	(272,204)
Selling expenses	(87,864)	(67,755)
Administrative expenses	(54,688)	(58,839)
Other operating income	9,274	11,577
Other operating expenses	(26,814)	(17,414)
	<u>(456,176)</u>	<u>(404,635)</u>
Raw materials and consumables	(91,807)	(79,842)
Other costs (for details see below)	(183,216)	(139,034)
Staff costs	(117,441)	(114,309)
Depreciation of property, plant and equipment	(53,274)	(61,704)
Amortisation of intangible assets and goodwill, including associates	(10,438)	(9,746)
	<u>(456,176)</u>	<u>(404,635)</u>

Agora SA**Notes to the condensed consolidated financial statements for six months ended 30****June 2004****with comparative figures for 2003**

(all amounts in PLN thousands unless otherwise indicated)

Other costs include the following items:

	Six months ended 30 June	
	2004	2003
Advertising and promotion costs	(47,884)	(27,074)
Business travel costs	(1,970)	(1,781)
Publishing licences	(3,819)	(2,343)
Property operating lease rentals	(4,078)	(4,434)
Outdoor location lease rentals	(27,799)	(23,253)
Insurance costs	(771)	(1,354)
Taxes and similar charges	(3,719)	(4,179)
Other external services rendered (telecommunication, printing, transport, IT, cleaning, maintenance)	(81,418)	(73,390)
Impairment losses, net (fixed assets, receivables, inventory)	(4,802)	(2,604)
Amortisation of fixed assets financed from the disabled fund	898	1,006
Restructuring	(8,538)	(200)
Other revenues / (costs)	684	572
	<u>(183,216)</u>	<u>(139,034)</u>

8. Finance cost, net

	Six months ended 30 June	
	2004	2003
Interest income	1,298	1,367
Income, other than dividends, from short-term investments	1,140	386
Income on valuation of embedded financial instruments	-	214
	<u>2,438</u>	<u>1,967</u>
Interest on loans payable	(4,420)	(5,458)
Foreign exchange translation gains / (losses)	(90)	(704)
Other financing costs	(219)	(290)
	<u>(4,729)</u>	<u>(6,452)</u>
	<u>(2,291)</u>	<u>(4,485)</u>

9. Capital and investment commitments

Contractual capital and investment commitments (mainly relating to fixed assets) existing at the balance sheet date amounted to PLN 14,471 thousand (31 December 2003: PLN 18,309 thousand, 30 June 2003: PLN 47,233 thousand).

Agora SA

Notes to the condensed consolidated financial statements for six months ended 30

June 2004

with comparative figures for 2003

(all amounts in PLN thousands unless otherwise indicated)

10. Contingencies

As of 30 June 2004 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, other than those noted below.

Benefiting party	Debtor	Valid till	Amount	Provisions booked
	Guarantees provided by Agora SA			
Deutsche Bank Polska SA	BOR Sp. z o.o.	14.10.2004	1,523	-
Raiffeisen Bank Polska SA	Inforadio Sp. z o.o.	30.12.2004	2,790	2,790
	Guarantees provided by AMS SA			
VOX Chemia Sp. z o.o.	AMS SA	31.12.2012	1,467	-
PKiN Sp. z o.o.	AMS SA	31.01.2006	200	-
PKN Orlen SA	AMS SA	30.12.2004	41	-
Urząd Miasta Gdańsk	AMS SA	30.11.2004	43	-
Zakład Gospodarki Mieszkaniowej Bielsko Biala	AMS SA	-	6	-
			<u>6,070</u>	<u>2,790</u>

11. Seasonality

The business of the Group does not present significant cyclical patterns.

12. Directors' remuneration and other benefits

Remuneration of Management Board members of Agora SA paid pursuant to employment and management contracts amounted to PLN 1,313 thousand (6 months ended 30 June 2003: PLN 1,176 thousand).

Agora's shares owned by the Management Board members acquired in accordance with the employee incentive plans:

	total shares owned at 30.06.2004	total shares owned at 30.06.2003
Wanda Rapaczynski	1,365,314	1,377,535
Piotr Niemczycki	1,710,392	1,855,680
Helena Łuczywo	1,228,422	1,278,568
Zbigniew Bąk	140,728	92,484
Jarosław Szaliński (1)	0	0

(1) Jaroslaw Szaliński is a member of the Management Board since 15 July 2004

Total compensation paid during the interim period to the Supervisory Board members amounted to PLN 121 thousand (6 months ended 30 June 2003: PLN 121 thousand).

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with comparative figures for 2003
(all amounts in PLN thousands unless otherwise indicated)

Total compensation paid to the management of associated and subsidiary companies:

	Six months ended	
	2004	2003
In consolidated companies (full consolidation and equity method)		
Management Board members	3,835	4,016
Supervisory Board members	105	65
In companies excluded from consolidation		
Management Board members	49	391
Supervisory Board members	-	-

13. Post-balance sheet events

On 9 July 2004, 4,276,371 shares of Agora SA were admitted for trading on the main market of the Warsaw Stock Exchange. Currently the number of shares admitted for trading amounts to 34,683,062 shares.

On 15 July 2004 the Local Court in Warsaw XX Commercial Department of the Register Court registered amendments to the Agora's statute made by the Annual General Meeting of Shareholders on 24 June 2004 and registered Jaroslaw Szaliński as a member of the Management Board of Agora SA.

On 13 August 2004 Helena Łuczywo handed in her resignation from the post of Vice-President and member of the Management Board of Agora SA retaining the position of *Gazeta Wyborcza* Deputy Editor-in Chief. The resignation was registered by the court on 24 August 2004.

**INDEPENDENT AUDITOR'S REVIEW REPORT
ON THE CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS OF AGORA S.A.
FOR THE PERIOD
FROM 1 JANUARY 2004 TO 30 JUNE 2004**

To the Shareholders of Agora S.A.

We have reviewed the accompanying Condensed Interim Consolidated Financial Statements, consisting of the Consolidated Balance Sheet as at 30 June 2004, the Consolidated Income Statement, the Consolidated Statement of Changes in Shareholders' Equity and the Consolidated Cash Flow Statement, as well as the notes thereto for the period 1 January 2004 until 30 June 2004 of Agora S.A. ("the Company"), with its registered office in Warsaw, Czerska 8/10 Street. These Condensed Interim Consolidated Financial Statements are the responsibility of the Company's Board of Directors. Our responsibility is to issue a report on these Condensed Interim Consolidated Financial Statements based on our review.

We conducted our review in accordance with International Standards on Auditing applicable to review engagements. These standards require that we plan and perform the review to obtain moderate assurance about whether the Condensed Interim Consolidated Financial Statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, we are not aware of any material modifications that should be made to the above-mentioned Condensed Interim Consolidated Financial Statements in order for them to be in conformity with International Financial Reporting Standards.

KPMG Audyt Sp. z o.o.
Warsaw, Poland, 27 September 2004

***AGORA GROUP
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
OF THE GROUP'S RESULTS FOR THE FIRST HALF OF 2004
PRESENTED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS***

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AGORA GROUP
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
OF THE GROUP'S RESULTS FOR THE FIRST HALF OF 2004
PRESENTED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS

REVENUE PLN 475 MILLION, EBITDA PLN 82 MILLION, OPERATING CASHFLOW PLN 58 MILLION

Unless indicated otherwise, all data presented herein represent the period of January – June 2004, while comparisons refer to the first half of 2004 versus the first half of 2003. All data sources are presented in part IV of this MD&A.

Unless explicitly stated otherwise, advertising market data referred to herein are based on Agora's estimates adjusted for average discount rate and are stated in current prices. Given the discount pressure and advertising time and space sell-offs, these figures may not be fully reliable and will be adjusted in the consecutive reporting periods. 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 obtained from the following sources: AGB Polska monitoring, CR Media monitoring, Agora Monitoring, Media Watch monitoring (distribution, copying and reproduction possible only under the permission of Media Watch, tel.+48 71 341 47 11).

In this MD&A Agora has corrected the advertising figures for 2003 and the previous years. The data referred to herein are based on the corrected estimates of the Company.

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

- In the first half of the year, advertising spending was better than expected and, according to Agora's estimates, increased by around 10%. The second quarter saw lower growth of newspaper advertising (up 5%).
- Advertising sales of the Group grew by nearly 7%. *Gazeta's* advertising revenue increased by 4%, magazines posted a growth of 28%, outdoor increased by 30% and radios by almost 12%.
- Consolidated revenue of the Group grew by 11.5%, while its consolidated EBITDA stood at PLN 82 million.
- Copy sales of all national newspapers in the period of January-June 2004, excluding *Fakt*, declined by 7%, and grew by almost 17% including *Fakt* [1]. Paid circulation of *Gazeta Wyborcza* increased by 6.2% over the period.
- In June the Company launched a big readership campaign "Book collection of *Gazeta Wyborcza*". This canon of masterpieces of 20th century literature became very popular with the readers. The project should be profitable even without taking into account obvious promotional benefits.
- We can see the first positive results of the restructuring process which helps to improve financial and market performance of the Group.

Zbigniew Bak, Deputy President of the Management Board said:

"We are witnessing a real takeoff in all segments of the advertising market. We have been waiting for this moment three years. New businesses achieved significant growth of revenue. Restructuring shows first positive effects. Readership and circulation of *Gazeta Wyborcza* are quite impressive but to a large extent they were achieved due to a substantial increase in marketing spending. Hence, we will make further efforts to enhance operating efficiency of the Group and improve client service. A lot still needs to be done but we are moving forward with our heads held high".

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

1. EXTERNAL FACTORS

1.1. Economy

GDP growth in the first half of 2004 was better than expected (6.5%). These optimistic results are good indicators of more rapid growth of the advertising market.

What causes caution is June's steep decline in construction industry, which posted positive growth only two months ago. This may indicate that companies have not yet implemented their significant investment plans. Moreover, lack of execution of the austerity plan to cut public spending may impede the high growth of GDP in the long term.

1.2. Advertising market

In the first half of 2004, advertising market performance outshined the original expectations. According to Agora's estimates advertising spending increased by nearly 10% over the period. Shortly before Poland's accession to the EU, that is in the period of January-April 2004, we witnessed an increased level of spending in some advertising categories (e.g. automotive and construction). It declined in May and June of 2004.

In the first half of 2004, television grew advertising revenue by 10%. This was due to healthy performance of TV key categories, such as food, health, as well as rapidly growing media advertising.

Outdoor advertising grew rapidly. In the first half of 2004 advertising spending climbed by 15% over last year. The fastest growing categories were entertainment and retail.

Over the period, advertising spending in the radio segment increased by around 15%. Despite heavy drop of automotive and construction advertising, the loss was compensated for by a steep growth of entertainment and media advertising.

Advertising spending in the press increased by almost 7%. The weaker growth was recorded by daily newspapers (5.5%), which were most affected by the declining revenue of some advertising categories (i.e. automotive and construction) after Poland's accession to the UE. In the first half of 2004, magazine segment increased by as much as 9%. Similar to TV, the growth was attributed to a surge in food, cosmetics and health advertising categories.

1.3. Print market - competition

According to the Circulation Audit Office (ZKDP), in the period of January-June 2004, total number of copies sold of all newspapers increased by almost 17% [1]. Average copy sales of tabloid *Fakt* reached 551.5 thousand copies, while that of *Gazeta* stood at the level of 444.0 thousand and increased by 6%.

In June 2004 the gap between average copy sales of *Gazeta* and Springer's tabloid wasn't very wide and stood at 57 thousand copies while in February the gap was 230 thousand.

Super Express continues precipitous decline of paid circulation. In the period of the six months of the year, the tabloid's copy sales fell by 11.9%. Local dailies also have declining circulation (a fall of over 12% over the period). In first half of 2004, over 2% decrease was also recorded by *Rzeczpospolita*.

Circulation performance was reflected in readership data. After having reached its peak results in April 2004 (23.3%), in June 2004 *Fakt's* weekly readership reach went down to 20.8%. Over the last few months, readership of *Gazeta Wyborcza* has continued to reach record rates of around 20%. In June 2004, the gap between the readership reach of *Gazeta Wyborcza* and *Fakt* narrowed to 0.7 pp from 2.9 pp in April 2004. Since the entry of the new tabloid, *Super Express* lost 2 pp of its readership reach.

In March 2004, Axel Springer, encouraged by good copy sales results of the new tabloid, increased its advertising rates by over 30%, and – since the beginning of April 2004 – its cover price. Now Warsaw editions throughout the week and national editions on Thursday sell for PLN 1.20 (the cover price of the national edition outside Warsaw on all days but Thursday remained at PLN 1). *Fakt* continues to be supported by intensive promotional campaign and another edition of cash contest on its pages. The publisher of *Super Express* significantly decreased cover price in Warsaw (i.e. by 23% to PLN 1.20-1.60).

According to Agora's estimates, in the first half of 2004, *Fakt's* share of the overall daily advertising revenue stood at 3%, an equivalent of PLN 12.7 million. The tabloid's advertising portfolio is dominated by telecom, culture and entertainment and retail – the categories which target mass market.

2. INTERNAL FACTORS

2.1. Restructuring

In the first half of 2004, the Group continued implementing the measures aiming at improving its operating effectiveness and market flexibility in the context of increased competition. Some significant changes have already been put into practice: centralization of payroll and accounting functions, reorganization of employment and modification of the organizational structure designed to enhance *Gazeta's* advertising sales and improve its circulation promotion. The Group will continue implementing the restructuring measures. Major restructuring cost was incurred in the first quarter of the year.

Taking into account the multimedia profile of the Group, the company set up corporate sales division responsible for enhancement of key client service.

2.2. Publishing projects – books

In June 2004 *Gazeta Wyborcza* started a big readership campaign. Every week we publish a new book from the 20th century literature. The books are available every Tuesday and are sold together with *Gazeta* for PLN 15 plus the price of the newspaper.

Gazeta's collection is modeled on the projects that have already been fire-proved by the most important newspapers in Europe, e.g. *La Repubblica*. Their publishers emphasize the successful outcomes of such projects and their significant impact on the newspapers' copy sales.

The sales results of the titles already published are promising. Therefore, the Group decided to enlarge the collection to 40 titles. In the first half of 2004, revenue from book sales reached PLN 10.3 million (4 books excluding the first title which was included for free with the newspaper). Should the trend continue, the project will pose healthy margins even without taking into account the obvious value of promotion.

3. PROSPECTS

3.1. Advertising market and revenue

Growth of advertising market in the first half of 2004 outshined the Group's expectations. A better performance of ad spend is directly correlated with the economic turnaround, as well as pre-accession growth of advertising expenditure, particularly in some media segments.

Taking into account the above, as well as better economic outlook, the Management Board decided to review the Group's 2004 advertising assumptions. According to the most recent estimates, the overall advertising market will increase by around 9%. Television will see a growth of 10%, outdoor by about 16% and radio slightly above 8%. Print advertisers will spend around 7% more than last year, while the biggest increase will be recorded by magazines (9%).

As per Agora's previous assumptions, the weakest growth will be recorded by newspapers (up a bit over 4%). Such a weak growth is attributed to poorer condition of typical newspaper advertising categories.

Despite better than expected growth rates for the newspapers, *Gazeta's* advertising sales will grow slightly below the market due to aggressive competition and continued discount pressure among publishers.

Other businesses of the Group may grow revenue ahead of the growth rates assumed for their relevant advertising segments. Total revenue of the Group is likely to be higher than originally expected.

3.2. Competition

Currently, the newspaper market and *Gazeta's* market position are of the greatest importance to the Group. Agora will continue increased spending on promotion and marketing of *Gazeta Wyborcza*. In the first half of 2004, this cost item amounted to PLN 31 million (excluding the book project), of which 22% was spent on barter (non-cash) contracts. The Group assumes that spending on promotion and marketing in the second half of the year will be maintained on similar level as in the first half of the year.

3.3. Strategy

19 July 2004 was a deadline to submit bidding offers to acquire shares of Wydawnictwa Szkolne i Pedagogiczne S.A. („WSiP”). Regrettably, the management board of WSiP limited access to employees and the company's information to the extent that, in the opinion of Agora's Management Board, submitting a binding offer would carry

a significant investment risk. As a result, the Management Board of Agora reported to the Ministry of Treasury that having been denied access to fundamental information, Agora as a public company with responsibilities to its shareholders was not able to submit a binding offer.

Taking into account the above, and bearing in mind the fact that TV investment may not be possible, the Management Board of Agora started to work on the alternative growth strategies for the Group.

3.4. Regulatory environment

3.4.1. Lifting the ban on foreign capital in broadcast media after EU accession

As of 1 May 2004, the limitation of foreign capital in broadcast media was lifted. This may result in increased competition of foreign media companies in the broadcast market.

3.4.2. Law on Value Added Tax (VAT) and on copyrights and associated rights

Both laws were signed by the President and became effective as of 1 May 2004. The provisions of the laws will not significantly increase the cost base of the Group.

3.4.3. New International Financial Reporting Standards

Starting from 1 January 2005, all public companies in the EU will be obliged to report in accordance with International Financial Reporting Standards (IFRS). The Agora's Group has been preparing its financial statements pursuant to the IFRS for many years. As on 1 January 2005 significant amendments come into force, the Group is currently reviewing the potential impact of new standards concerning goodwill treatment, as well as share-based payments.

III. FINANCIAL RESULTS

1. THE AGORA GROUP

The consolidated financial statements of the Agora Group for the first half of 2004 include Agora SA, Agora Poligrafia Sp. z o.o., the Art Marketing Syndicate S.A. Group (AMS Group), and 25 subsidiary and associated companies of the radio business. Detailed list of companies of the Agora Group was presented in financial statements for 2003. In the first half of 2004 the following changes occurred:

- two radio related companies (Wanda Sp. z o.o. and Klakson Sp. z o.o.) are now fully consolidated with the financials of the Agora Group, while as of 31 December 2003 they were accounted for using the equity method,
- 49% shares in 8 radio related companies and 29%, 90% and 100% in three others controlled by Agora were contributed in kind to LRR Sp. z o.o. (a subsidiary of Agora),
- Agora acquired a 48.51% stake in Tres Sp. z o.o., a broadcaster of local radio program *Radio Pabianice*.

2. PROFIT AND LOSS ACCOUNT OF THE AGORA GROUP

Tab. 1

in PLN million	I H 2004	I H 2003	% change yoy
Sales	475.0	426.2	11.5%
Operating cost net, incl.:	(456.2)	(404.6)	12.8%
D&A	(56.5)	(64.9)	(12.9%)
Staff cost	(117.5)	(114.3)	2.8%
Promotion and marketing	(48.3)	(27.1)	78.2%
Goodwill amortization	(7.2)	(6.6)	9.1%
Restructuring	(8.5)	(0.2)	-
Operating profit / (loss) - EBIT	18.8	21.6	(13.0%)
Finance cost, net, incl.:	(4.1)	(5.5)	(25.5%)
Revenue from short-term investment	2.3	1.5	53.3%
Interest on loans	(4.3)	(5.3)	(18.9%)
Allowance for losses on investment, net	(1.8)	(1.4)	28.6%
Share of results of associates	(1.0)	(0.9)	11.1%
Profit / (loss) before income tax	13.7	15.2	(9.9%)
Income tax expense	(1.6)	(6.5)	(75.4%)
Minority interest	(0.3)	(0.5)	(40.0%)
Net profit / (loss) for the period	11.8	8.2	43.9%
EBIT margin (EBIT/Sales)	4.0%	5.1%	(1.1pp)
EBITDA	81.5	91.9	(11.3%)
EBITDA margin (EITDA/Sales)	17.2%	21.6%	(4.4pp)

Major products and services as well as operating revenue and cost of the Agora Group are presented in detail in part IV of this MD&A (“Operating review – major lines of business of the Agora Group”).

The impact of the operating results of particular businesses on the Group's financials is presented in the table under point 2.1. below.

Restructuring cost includes payments resulting from the lay-offs as well as other cost related to the implementation of the planned restructuring measures in the Group. Out of the amount mentioned above, net cost of PLN 7.3 million was incurred to the balance sheet day and the remaining PLN 1.2 million constitutes a restructuring provision. Total restructuring cost amounted to PLN 8.5 million, including PLN 2 million of a write-off of goodwill of *City Magazine*.

Advertising market recovery, seasonality and first effects of restructuring positively affected profitability ratios. All ratios presented in point 5 below improved. Significant enhancement of the Group's financials improved ratios for the first half of 2004 over last year.

2.1. Results presented according to major lines of business of the Agora Group

Tab. 2

	Press and the Internet	Magazines	Outdoor	Radio	Unallocated amounts	Elimina- tions	Total (consoli- dated) 6 months 2004
Total sales	358.1	46.9	56.8	22.6	10.5	(19.9)	475.0
% Share	75.3%	9.9%	12.0%	4.8%	2.2%	(4.2%)	100.0%
Total operating cost	(308.0)	(55.7)	(63.1)	(23.0)	(20.0)	13.6	(456.2)
EBIT	50.1	(8.8)	(6.3)	(0.4)	(9.5)	(6.3)	18.8
Finance cost, net							(4.1)
Share of results of associates							(1.0)
Income tax expense							(1.6)
Minority interest							(0.3)
Net profit (loss)							11.8
EBITDA	86.9	(5.9)	2.7	0.6	(3.1)	(0.3)	81.5
CAPEX	(4.9)	(0.1)	(5.9)	(0.6)	(0.2)	-	(11.7)

The column “unallocated amounts” includes amounts which were not allocated to any of Agora's lines of business: Agora's radio division, cost of the new headquarters and operating cost of new business development division.

2.2. Sales and markets of the Group

99.9% of the total sales of the Group was related to sales in the domestic market. Sales on foreign markets are realized mainly through press (foreign subscription).

The Group does not depend on a particular client. In the first half of 2004 the value of transactions with any of the clients did not exceed 10% of the Group's revenue.

2.3. Suppliers of the Group

The Group does not depend on a particular supplier. Paper and printing services are important cost items of the Group. Paper used for printing is purchased from several suppliers. In the first half of 2004 the value of transactions with any of the clients did not exceed 10% of the total revenue.

2.4. Finance cost, net

Higher revenue from short-term investment results from an increase in cash and monetary assets in the first half of 2004.

Lower financial interest on loans results from bank loans and commercial papers of the AMS Group, which were repaid in full in 2003.

3. BALANCE SHEET OF THE AGORA GROUP

Tab. 3

in PLN million	30/06/2004	31/12/2003	% change to 31/12/2003	30/06/2003	% change to 30/06/2003
Non-current assets	1,084.1	1,133.6	(4.4%)	1,161.2	(6.6%)
share in balance sheet total	78.5%	82.3%	(3.8pp)	82.9%	(4.4pp)
Current assets	296.2	243.3	21.7%	240.2	23.3%
share in balance sheet total	21.5%	17.7%	3.8pp	17.1%	4.4pp
TOTAL ASSETS	1,380.3	1,376.9	0.2%	1,401.4	(1.5%)
Equity	1,070.2	1,065.2	0.5%	1,071.3	(0.1%)
share in balance sheet total	77.5%	77.3%	0.2pp	76.4%	1.1pp
Minority interest	0.8	1.3	(38.5%)	1.0	(20.0%)
share in balance sheet total	0.1%	0.1%	-	0.1%	-
Non-current liabilities and provisions	173.0	188.3	(8.1%)	190.1	(9.0%)
share in balance sheet total	12.5%	13.7%	(1.2pp)	13.6%	(1.1pp)
Current liabilities and provisions	136.3	122.1	11.6%	139.0	(1.9%)
share in balance sheet total	9.9%	8.9%	1.0pp	9.9%	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,380.3	1,376.9	0.2%	1,401.4	(1.5pp)

3.1. Non-current assets

Lower value of fixed assets versus 31 December 2003 results from the depreciation of tangible fixed assets and amortization of intangible assets.

As a result of acquisition of a radio companies the goodwill in the amount of PLN 11.6 million was recognized.

3.2. Current assets

The change in balance of current assets versus 31 December 2003 was affected by the increase in short-term financial assets (increase in cash and short-term securities), increase in receivables (effect of growing sales) and increase in interperiod settlements.

3.3. Non-current liabilities and provisions

Lower non-current liabilities as compared to 31 December 2003 results mainly from reclassification as of 30 June 2004 of the PLN 17.4 million long-term liability (bank loan) to current liabilities.

3.4. Current liabilities and provisions

Increase in current liabilities over 31 December 2003 results from reclassification of the loan installment mentioned under point 3.3. above and increase in payables. At the same time short term provisions decreased – guarantee provision in the amount of PLN 1.4 million was reversed and restructuring provision amounted to PLN 1.2 million.

4. CASH FLOW STATEMENT OF THE AGORA GROUP

Tab. 4

in PLN million	I H 2004	I H 2003	% change yoy
Net cash from operating activities	57.9	69.2	(16.3%)
Net cash from investment activities	(49.0)	(65.3)	(25.0%)
Net cash from financing activities	(5.4)	(25.5)	(78.8%)
Total movement of cash and cash equivalents	3.5	(21.6)	-
Cash and cash equivalents at the end of period	52.8	27.9	89.2%

As at 30 June 2004, the Agora Group had PLN 120.3 million in cash and in short-term monetary assets, of which PLN 52.8 million was in cash and PLN 67.5 million in short-term monetary assets.

Considering the cash position and the available loan facility (PLN 500 million less the drawing of PLN 139.5 million), the Agora Group does not anticipate any liquidity problems with regard to its further investment plans.

4.1. Operating activities

Although the Group recorded growth of sales in the first half of 2004, its operating cash flow declined over last year. This was due to increased cost of marketing and restructuring as well as growth in receivables. Additionally, net operating cash flow in the first half of 2003 included, among others, one-off transactions resulting from the purchase of AMS SA, mainly payments from former majority shareholders of AMS SA in the amount of PLN 15 million and repayment in the first half of 2003 of PLN 10.8 million of short-term trade liabilities by AMS SA (trade liabilities decreased by the same amount).

4.2. Investment activities

Net cash from investment activities in the period includes, among others, expenditure for tangible fixed assets in the amount of PLN 16.5 million. Additionally, the Group spent PLN 9.0 million on investment in its affiliates, including the purchase of shares, additional capital contributions and purchase of short term securities, totaling PLN 3.8 million, as well as loans granted of PLN 5.2 million.

Free cash is invested in highly liquid short-term securities (treasury bonds and certificates in investment funds). Total net spending in the first half of 2004 amounted to PLN 25.1 million.

In the first half of 2003, net cash flow from investment activities included payment of PLN 10 million to AMS SA made by the former majority shareholders according to the agreement between these shareholders and Agora SA.

4.3. Financing activities

Net cash flow from financing activities in the first half of 2004 includes, among others, the following items:

- PLN 4.3 million of interest on loans paid (PLN 5.2 million in the previous year),
- PLN 0.8 million of dividend paid by subsidiary to minority shareholders (PLN 1.0 million in the previous year),

In the first half of 2003 net cash from financing activities included mainly:

- PLN 9.0 million outflow on redemption of commercial papers by AMS SA,
- PLN 10.2 million net outflow on repayment of loans by AMS.

5. SELECTED FINANCIAL RATIOS [3]

Tab. 5

	I H 2004	I H 2003	% change yoy
Profitability ratios			
Net profit margin	2.5%	1.9%	0.6pp
Gross profit margin	37.7%	36.1%	1.6pp
Return on equity	2.2%	1.5%	0.7pp
Efficiency ratios			
Inventory turnover	8 days	9 days	(11.1%)
Debtors days	43 days	46 days	(6.5%)
Creditors days	31 days	43 days	(27.9%)
Liquidity ratio			
Current ratio	2.2	1.7	29.4%
Financing ratios			
Gearing ratio	10.1%	10.4%	(0.3pp)
Interest cover	4.4	4.2	4.8%
Free cash flow interest cover	9.7	10.0	(3.0%)

Definitions of financial ratios [3] are presented at the end of part IV of this MD&A ("*Operating review – major lines of business of the Agora Group*").

IV. OPERATING REVIEW - MAJOR LINES OF BUSINESS OF THE AGORA GROUP

IV.A. PRESS AND THE INTERNET

Tab. 6

in PLN million	I H 2004	I H 2003	% change yoy
Total sales	358.1	328.9	8.9%
Copy sales	94.2	89.4	5.4%
incl. <i>Gazeta Wyborcza</i>	94.2	89.3	5.5%
Advertising revenue	219.6	213.0	3.1%
incl. <i>Gazeta Wyborcza</i>	217.3	208.9	4.0%
Revenue from Internet activity	5.0	4.0	25.0%
Other revenue	39.3	22.5	74.7%
incl. sales of printing services	20.7	14.4	43.8%
Total operating cost	(308.0)	(281.6)	9.4%
Raw materials and energy	(76.4)	(74.2)	3.0%
incl. newsprint for press (purchased by Agora)	(49.2)	(50.4)	(2.4%)
Staff cost	(88.2)	(89.2)	(1.1%)
D&A	(36.8)	(45.4)	(18.9%)
Other operating cost net, incl.:	(106.6)	(72.8)	46.4%
promotion and marketing (1)	(34.8)	(16.5)	110.9%
outsourced printing services	(21.1)	(13.3)	58.6%
restructuring	(6.1)	-	-
EBIT	50.1	47.3	5.9%
EBIT margin	14.0%	14.4%	(0.4pp)
EBITDA	86.9	92.7	(6.3%)
EBITDA margin	24.3%	28.2%	(3.9pp)
Full-time employment at the end of the period (2)	2,818	3,043	(7.4%)

(1) the amounts do not include the total cost of cross-promotion of Agora's different media (only the direct variable cost of campaigns carried out on advertising panels) if such promotion is executed without prior reservation on space which was not sold to external clients

(2) includes employees in the period of notice due to restructuring of the Company

1. GAZETA WYBORCZA

1.1. Revenue

1.1.1. Copy sales

In the first half of 2004, average copy sales of *Gazeta Wyborcza* reached ca. 444 thousand and were 6.1% higher versus the same period of the previous year. As expected, the substantial increase in marketing spending, reorganization of *Gazeta's* marketing approach, as well as introduction of new attractive editorial ideas translated into double-digit copy sales growth in each month of the second quarter.

Better copy sales of *Gazeta* are reflected in readership results. In the first half of 2004, *Gazeta* recorded high readership reach of over 20%.

1.1.2. Advertising sales

In the first half of 2004, *Gazeta's* advertising revenue grew by 4.0%. This increase results from a growth of dailies advertising market and maintenance of *Gazeta's* solid share in this market (43.5%, display advertising).

Gazeta's best results were noted in local markets outside Warsaw (revenue from display advertising and classifieds up 12.5%). This was due to a healthy growth of *Gazeta's* key advertising categories. As a consequence, *Gazeta's* share in revenue from local advertising (display ads) increased by 2.5pp.

Since fall of 2003 the Warsaw market has become more competitive. National dailies introduced new or revitalized Warsaw sections, advertising offer of Warsaw dailies was enhanced and competition in the free press market became more aggressive. Discount war in the Warsaw market brings about new, competitive offers for advertisers. The Warsaw section of *Gazeta Wyborcza* registered a slight increase in advertising revenue from display ads and classifieds by 2.4%, although its share in the display advertising market fell by 3.8pp. Free daily *Metro* is a significant player in the Warsaw market - its advertising sales increased by over 40%.

Gazeta's revenue from national advertising slightly declined. *Fakt's* entry broadened the advertising offer of national dailies.

In the first half of 2004, *Gazeta's* net revenue per ad page totaled PLN 5.2 thousand. The share of ad pages in the total pagecount reached 38.6% and the average number of ad pages published daily in all local and national editions amounted to 263 (up 6.1%) [4].

1.1.3. Other revenues

Increase of other revenues was attributed to a book project. Since June 2004, the books from the collection of international and Polish literature can be purchased together with *Gazeta Wyborcza* for PLN 15.

First weeks of the campaign were successful and translated into *Gazeta's* copy sales and other revenues growth.

Similarly, the increase of other cost results from the additional cost of book campaign.

1.2. Cost of production of *Gazeta Wyborcza* (newsprint and printing services)

In the first half of 2004, the production volume sold to external clients increased by 28% as compared to the first half of 2003.

Tab. 7

Cost of production of <i>Gazeta Wyborcza</i> (newsprint and printing services) in PLN million	I H 2004	I H 2003	% change yoy
Fixed cost	34.9	37.3	(6.4%)
incl. D&A	19.4	20.3	(4.4%)
Variable cost	76.3	70.5	8.2%
incl. newsprint	60.2	55.3	8.9%
TOTAL fixed and variable cost	111.2	107.8	3.2%

1.2.1. Newsprint and printing services

The change of newsprint cost and cost of printing services in the first half of 2004 were mainly affected by changing volume of production and exchange rates. In the first half of 2004, average EUR/PLN exchange rate was 11% higher than last year. Printing volume of *Gazeta Wyborcza* was 6% higher than in the first half of 2003, including a 21% growth of printing volume in external printing plants. The main reasons for increased production in external printing plants were editorial improvements in *Gazeta's* supplements (coated covers) and a shift of *Duzy Format* (Large Format) from Thursday to Monday. At the beginning of June 2004 production of *Duzy Format* was shifted from external printing plant to Agora's own plant.

2. FREE PRESS

In the first half of 2004, free daily *Metro* was distributed in Warsaw five times a week and its average daily circulation reached 132 thousand copies. In the first half of 2004, the daily generated revenue of PLN 2.2 million,

which was PLN 0.6 million more compared to the same period in 2003. In the first half of 2004, *Metro's* production cost (newsprint and printing services) was PLN 2.2 million.

3. INTERNET [5]

The most important event of the first half of 2004 was signing an agreement with PTK Centertel Sp. z o.o. on WAP. *Gazeta.pl* became a leading partner of the newly established mobile platform *Swiat Idei* (Idea's World).

The first half of 2004 saw the introduction of the new homepage version, new *Wiadomosci* channel (News channel), the re-design of discussion *Forum* and *Kobieta* (Woman) vortal including *Avanti* thematic channel. The group of community channels was enriched by an introduction of blogs – *Blox.pl*. Dial-up Internet access (*netGazeta*) was introduced in cooperation with Energis. New marketing and advertising products were launched: paid links and special offers.

In the first half of 2004, the number of unique users of *Gazeta.pl* increased by 30% to 2.9 million. In the same period, the number of Internet users in Poland increased by 9% to 7 million. In the first half of 2004, *Gazeta.pl* had 67% more unique users than last year.

The portal improved its financial results comparing to the first half of 2003. Revenue growth was accompanied by a 28% decline in operating cost. Decrease in depreciation resulted from full amortization of software used in the Internet activity.

IV.B. THE MAGAZINES

Despite strong gadgets competition, which got tougher since the beginning of 2004, the launch of *Avanti* was successful. Average copy sales of the first three issues amounted to 176 thousand copies. High interest in the magazine expressed by advertising clients bodes well for the project's success. Advertising revenue in the second quarter of 2004 was above expectations.

In June 2004 Agora decided to close free monthly *City Magazine*. Prohibition of tobacco advertising, liberalizations of the law allowing beer commercials on t.v. and decrease in advertising spending of telecommunication companies significantly decreased advertising revenue of the magazine. Despite several restructuring attempts, the magazine became permanently unprofitable.

One-time write-off of goodwill of *City Magazine* amounted to PLN 2 million.

Tab. 8

in PLN million	I H 2004	I H 2003	% change yoy
Total sales	46.9	37.8	24.1%
Copy sales	26.5	21.8	21.6%
Advertising revenue	20.3	15.9	27.7%
Other revenue	0.1	0.1	-
Total operating cost	(55.7)	(43.7)	27.5%
Raw materials and energy	(0.4)	(0.3)	33.3%
Staff cost	(10.8)	(9.4)	14.9%
D&A	(2.9)	(3.0)	(3.3%)
Other operating cost net, incl.:	(41.6)	(31.0)	34.2%
promotion and marketing (1)	(16.5)	(11.3)	46.0%
outsourced printing services	(19.6)	(15.3)	28.1%
restructuring	(2.4)	-	-
EBIT	(8.8)	(5.9)	(49.2%)
EBIT margin	(18.8%)	(15.6%)	(3.2pp)
EBITDA	(5.9)	(2.6)	(126.9%)
EBITDA margin	(12.6%)	(6.9%)	(5.7pp)
Full-time employment at the end of the period (2)	252	226	11.5%

(1) the amounts do not include the total cost of cross-promotion of Agora's different media (only the direct variable cost of campaigns carried out on advertising panels) if such promotion is executed without prior reservation on space which was not sold to external clients

(2) includes employees in the period of notice due to restructuring of the Company

Negative EBITDA of the magazine line of business achieved in the first half of 2004 was mainly caused by expenditure related to the launch of the new magazine *Avanti*.

1. REVENUE

1.1. Copy sales

Tab. 9

	I H 2004	I H 2003	% change yoy
Average copy sales (in thousand of copies)	1,057.5	918.8	15.1%
Average circulation of free <i>City Magazine</i> (in thousand of copies)	145.7	152.7	(4.6%)

Higher copy sales are mainly caused by *Avanti*.

1.2. Advertising sales

Restructuring of the sales team as well as content and layout changes of the magazines contributed to 17.0% higher advertising revenue. New title, *Avanti*, brought another 10.7% revenue growth. As a result, in the first half of 2004, the Magazines occupied 5.3% share in the magazine advertising market, which is a 0.8pp increase versus the previous year.

The magazine market grew by 9% in the said period.

2. COST

2.1. Cost of production of the Magazines (newsprint and printing services)

Printing services in external printing plants include the cost of newsprint and printing services. In the second quarter of 2004, the following factors had an impact on this cost category:

- cost of new magazine *Avanti*,
- change in EUR/PLN exchange rate (cost up by 10.5%).

2.2. Other cost

Higher cost of payroll (up by PLN 1.4 million) and headcount (26 persons more) results from the launch of *Avanti* (23 persons) and reorganization of the sales department which entailed an increase in the number of sales staff.

In the first half of 2004, promotion of the new title *Avanti* increased advertising sales.

IV.C. OUTDOOR (AMS GROUP)

In the first half of 2004, the outdoor market grew by 17.9% comparing to the same period of the previous year. The estimated share of AMS grew in the said period by 1.7pp to 28.7% [6].

Tab. 10

in PLN million	I H 2004	I H 2003	% change yoy
Total sales (1)	56.8	48.7	16.6%
Advertising revenue	56.1	43.3	29.6%
Advertising revenue, one off	-	4.9	-
Other revenue	0.7	0.5	40.0%
Total operating cost	(63.1)	(52.8)	19.5%
Materials and energy	(4.7)	(2.7)	74.1%
Staff cost	(8.6)	(7.4)	16.2%
D&A	(10.0)	(9.7)	3.1%
Other operating cost net, incl.:	(39.8)	(33.0)	20.6%
rental fees for outdoor panels	(21.6)	(21.7)	(0.5%)
execution of campaigns	(15.4)	(12.7)	21.3%
EBIT	(6.3)	(4.1)	(53.7%)
EBIT margin	(11.1%)	(8.4%)	(2.7pp)
EBITDA	2.7	4.6	(41.3%)
EBITDA margin	4.8%	9.4%	(4.6pp)
Full-time employment at the end of the period	303	304	(0.3%)
Number of advertising faces (2)	23,339	23,170	0.7%

(1) the amounts do not include the revenue and direct and variable costs of cross-promotion of Agora's other media on AMS panels if such promotion was executed without prior reservation on space which was not sold to external clients.

(2) excluding advertising panels of Akcent Media Sp. z o.o. installed on petrol stations and small panels at bus shelters

1. REVENUE

In the first half of 2004, advertising revenue of AMS, excluding the one-off revenue of PLN 4.9 million in the first quarter of 2003 from making AMS's panels available to the former majority shareholder, increased by 29.6%. (Revenue from the former majority shareholder of AMS was a consequence of the contract entered into with Agora SA imposing the obligation to sell AMS's shares. As this revenue was not accompanied by cost of campaign execution, its total amount increased the operating result of AMS). The new sales policy, new sales offer of AMS and increased demand for outdoor advertising were the main factors behind this high growth.

2. OPERATING COST

Higher operating cost in the first half of 2004 results from a significant increase in renovation expenses (up by PLN 2.0 million), changes in the remuneration system and personnel reorganization (up by PLN 1.2 million) and higher write-offs of receivables (net increase by PLN 2.9 million because in the first half of 2003 AMS cancelled provisions for bad debts for 3 big clients thus creating other income of PLN 1.6 million). Cost of execution of advertising campaigns (including printing services) increased by PLN 2.7 million due to significant sales growth.

3. IMPORTANT EVENTS

On 5 April 2004 a subsidiary company Polskie Badanie Outdooru Sp. z o.o. published the results of its research on audience of panels through the Internet *Authorisation Platform*. Hence, AMS started to use the results of research conducted in the last three years. This event positions outdoor as a well-ordered, transparent, measurable and client-friendly medium, similar to television, press and radio.

In May 2004 a new model of planning advertising campaigns was launched. The new IT system, for the first time in Poland, integrates all available and independent sources of data: Acxion (Claritas), PBO, SMG/KRC, IGRZ, GUS.

This model enables to shift focus of campaign planning from a single panel to a given target group. Consequently, the optimal usage of all kinds of AMS panels in advertising campaign is possible. Introduction of this system makes AMS the leader in advanced planning of advertising campaigns.

IV.D. RADIO

1. LOCAL RADIO STATIONS

On 2 January 2004 *Blue FM* operated by *Wibor Sp. z o.o.* started broadcasting in Cracow. *Blue FM* has a HOT AC format and is targeted at the 28-42 age group.

In April the increase in share capital of *Lokalne Rozglosnie Radiowe Sp. z o.o. (LRR)* was registered. This is another step in restructuring of the radio group. Further steps depend on obtaining regulatory approval from the National Broadcasting Council.

On 10 May 2004 the National Broadcasting Council renewed the radio's license for *Elita* for another 7 years.

On 19 May 2004 the new radio *Zlote Przeboje* that operates in the region of Pabianice and Lodz started broadcasting. The station belongs to *Tres Sp. z o.o.*, is formatted to play *Golden Oldies* and targets a 30-50 age group.

The data presented below show the sum of financials of local radio stations operated by the 24 radio companies in which Agora owns shares (the financials of the stations based in Poznan have been consolidated pro forma due to the type of their business activity). The financials of the 25th radio station, *Tres Sp. z o.o.*, will be included from July 2004. The data below excludes the financials of the Head Office of the Radio Division which constitutes part of the organization structure of Agora SA and supervises operational activities of radio stations as well as carries out national sales (the financials of the Head Office of Radio Division are presented separately in point 2 of part IV.D.).

Tab. 11			
in PLN million	I H 2004	I H 2003	% change yoy
Total sales	22.6	20.2	11.9%
Advertising revenue	21.0	18.8	11.7%
Other revenue	1.6	1.4	14.3%
Total operating cost	(23.0)	(25.7)	(10.5%)
Materials and energy	(0.5)	(0.5)	-
Staff cost	(10.2)	(11.7)	(12.8%)
D&A	(1.0)	(1.2)	(16.7%)
Other operating cost net, incl.:	(11.3)	(12.3)	(8.1%)
promotion and marketing (1)	(3.0)	(3.0)	-
restructuring	-	-	-
EBIT	(0.4)	(5.5)	92.7%
EBIT margin	(1.8%)	(27.2%)	25.4pp
EBITDA	0.6	(4.3)	-
EBITDA margin	2.7%	(21.3%)	24.0pp
Full-time employment at the end of the period (2)	387	429	(9.8%)

(1) the amounts do not include the total cost of cross-promotion of Agora's different media (only the direct variable cost of campaigns carried out on advertising panels) if such promotion is executed without prior reservation on space which was not sold to external clients

(2) including employment of Agora's radio division

1.1. Revenue

Higher advertising revenue in the first half of 2004 resulted from the 14% growth of the local radio advertising market. National market saw growth of 15% and total radio advertising revenue increased by ca. 15%.

Market share of Agora's local radio stations group

Tab. 12

Cumulative:	Share in the radio advertising market	Share in the advertising market of local radio stations	Share in the audience market [7]
2004	10.6%	32.3%	12.3%
2003	10.9%	34.2%	13.0%

In the first half of 2004 Agora's local radio stations group maintained its position of the third largest radio player - behind *RMF FM* and *Radio Zet* - in the radio advertising market in Poland and in the audience market (in the cities of Agora's broadcasting, age group of 20-50, in the period January - June) [7].

From January 2004, 15 radio stations formatted to broadcast *Golden Oldies* operate under a common brand *Złote Przeboje*. The stations have different local programs but they use a common logo and coordinate their marketing activities. Share in the audience market of *Złote Przeboje* increased in the first half of 2004 by 0.9pp yoy and amounted to 11.1% (in the cities of Agora's broadcasting, age group of 30-50, in the period January - June).

1.2. Operating cost

Decrease of operating costs in the first half of 2004 is caused by restructuring measures implemented in 2003 and continued in 2004.

2. RESULTS OF THE RADIO DIVISION IN THE STRUCTURE OF AGORA SA

The radio division is responsible for local radio stations, as well as national sales. In the first half of 2004, sales reached PLN 10.5 million (up by PLN 8.7 million), EBITDA was a negative PLN 2.4 million (down by PLN 1.3 million), which was mainly caused by organizational changes introduced in 2003.

3. SUPERREGIONAL RADIO TOK FM

In the first half of 2004, the revenue of the superregional radio station *TOK FM* reached PLN 0.9 million, EBITDA and net loss amounted to minus PLN 1.8 million and PLN 3.6 million, respectively.

As a result of the changes introduced in October 2003, in the first half of 2004 *TOK FM* achieved 2.2% audience share in the Warsaw market (compared to 1.4% in the first half of 2003).

NOTES

[1] Management Discussion and Analysis for the second quarter of 2004, published on 5 August 2004, included incorrect information relating to the increase of total number of copies sold of all newspapers in the period of January-May 2004 (3.3%). The correct number is 16.6%.

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

Data on dailies' readership are based on PBC General research carried out by SMG/KRC A MILLWARD BROWN COMPANY on a random, nationwide sample of Poles over 15 years of age. Weekly readership index was used - percentage of respondents reading at least one edition of the title within 7 days of the survey. Size of the nationwide sample in 2004: January n = 3,037 persons; February n = 3,019; March n = 3,012; April n = 3,005; May n = 2,991; June n = 3,017.

[3] Definition of ratios:

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

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

$$\text{Return on equity} = \frac{\text{Net profit (loss)}}{(\text{Equity at the beginning of the period} + \text{Equity at the end of the period}) / 2 / (2 \text{ for half year results and } 4 \text{ for quarterly results})}$$

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

$$\text{Creditors days} = \frac{(\text{Trade creditors at the beginning of the period} + \text{Trade creditors at the end of the period}) / 2}{\text{Cost of sales} / \text{no of days}}$$

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

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

$$\text{Gearing ratio} = \frac{\text{Current and non-current liabilities from loans}}{\text{Total liabilities}}$$

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

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

[4] Data based on modified methodology of share of ad pages calculation, complying with regulations in VAT act.

[5] Data on the number of Internet users and unique users: own calculation on the basis of NetTrack research, carried out by SMG/KRC A MILLWARD BROWN COMPANY and GemiusTraffi, Gemius S.A.

[6] The data refer to campaigns carried out in 12 largest agglomerations.(source: MEDIA WATCH monitoring 2003-2004. distribution. copying and reproduction possible only under the permission of Media Watch. tel. +48 71 341 47 11). Data do not include advertising campaigns realized outside of the 12 largest agglomerations, where AMS is the leader.

[7] Audience market data referred herein are based on Radio Track surveys, carried out by SMG/KRC A MILLWARD BROWN COMPANY (all places, all days and all quarters of an hour of listening) for local radio stations: in the cities of broadcasting and in the age group of 20-50, from January to June; for TOK FM: in the cities of broadcasting. from January to June; for Złote Przeboje: in the cities of broadcasting and in the age group of 30-50, from January to June.

V. ADDITIONAL INFORMATION

V.A. INFORMATION CONCERNING SIGNIFICANT CONTRACTS

In the first half of 2004 Agora SA did not enter into contracts that would be classified as significant according to the stipulations of the Cabinet Decree on disclosure obligations of public companies.

1.1 Information concerning insurance and agreements of mutual aid and cooperation

Significant insurance contracts concluded by companies of the Agora Group in the first half of 2004 are listed below:

Agora SA.:

Tab. 13

Scope	Insurance agent	Subject of insurance
all risks including risk of theft with burglary and robbery	STU Ergo Hestia SA - 70% (leading) TU Allianz Polska SA - 30% (co-agent)	buildings, real estate, adaptation costs, machinery, forklifts, equipment, KBA printing machines, production materials and newsprint, promotion materials in stock, cash on hand and on delivery Warsaw plus all territorial branches (including plants)
all risks of material loss (section I)	STU Ergo Hestia SA - 70% (leading) TU Allianz Polska SA - 30% (co-agent)	electronic stationary equipment (owned and entrusted), electronic remote equipment Warsaw plus all territorial branches (including plants)
damage of machines and equipment	STU Ergo Hestia SA - 70% (leading) TU Allianz Polska SA - 30% (co-agent)	KBA printing machines in all plants
civil liability	STU Ergo Hestia SA	civil liability for injuries to the person or material damage – resulting from business activity or owned estate; civil liability of tenant; civil liability of special events organizer, civil liability of employer
Business Travel	TUiR WARTA SA	business travel abroad, settled correspondents
Accident insurance	PZU SA	business travel abroad

Agora Poligrafia Sp. z o.o.:

Scope	Insurance agent	Subject of insurance
all risks including risk of theft with burglary and robbery	STU Ergo Hestia SA - 70% (leading) TU Allianz Polska SA - 30% (co-agent)	buildings and equipment Tychy
all risks of material loss (section I)	STU Ergo Hestia SA - 70% (leading) TU Allianz Polska SA - 30% (co-agent)	electronic stationary and remote equipment Tychy
civil liability	STU Ergo Hestia SA	civil liability for injuries to the person or material damages – resulting from business activity or owned estate, civil liability of the tenant, civil liability of special events organizer

AMS SA.:

Scope	Insurance agent	Subject of insurance
material loss	STU Ergo Hestia SA	stationary and remote electronic equipment
fire and other casualties; excluding painting, smearing and vandalism on insured property	STU Ergo Hestia SA	office equipment, capital expenditure, current assets, cash, bus shelters, citylights in leased bus shelters, citylights in large formats, billboards
theft with burglary and robbery	STU Ergo Hestia SA	office equipment, current assets (including entrusted property), cash
civil liability	STU Ergo Hestia SA	civil liability resulting from business activity or property usufruct, excluding civil liability for product

Adpol Sp. z o.o.:

Scope	Insurance agent	Subject of insurance
theft with burglary and robbery	STU Ergo Hestia SA	office equipment, current assets (including entrusted property), cash
civil liability	STU Ergo Hestia SA	civil liability resulting from business activity or property usufruct, excluding civil liability for product
material loss – section I	STU Ergo Hestia SA	stationary and remote electronic equipment
fire and other casualties; excluding painting, smearing and vandalism on insured property	STU Ergo Hestia SA	office equipment, capital expenditures, current assets, cash, bus shelters

Media System Sp. z o.o.:

Scope	Insurance agent	Subject of insurance
fire and other casualties; excluding painting, smearing and vandalism on insured property	STU Ergo Hestia SA	large format panels
civil liability	STU Ergo Hestia SA	civil liability resulting from business activity or property usufruct, excluding civil liability for product
material loss – section I	STU Ergo Hestia SA	stationary electronic equipment

Akcent Media Sp. z o.o.:

civil liability for business activity including civil liability of tenant and subcontractor; clause of representative property	TU Allianz Polska SA	civil liability towards third parties and their property
property	TU Allianz Polska SA	movable objects (appliances and equipment) – theft with burglary, stationary and remote electronic equipment - fire, explosion, lightning, calamities, etc.

In the first half of 2004 Agora SA did not enter into any material mutual aid or cooperation agreements.

V.B. CHANGES OF CAPITAL AFFILIATIONS OF THE ISSUER WITH OTHER ENTITIES

- On 19 January 2004 Agora purchased shares in Radio Klakson Sp. z o.o. with its seat in Wrocław – the broadcaster of a local radio program named *Radio Blue 106.1 FM* (Wrocław), *Radio Blue 106.6 FM* (Opole) and *Radio Blue 101.7 FM* (Zielona Góra). After the transaction Agora's stake in the share capital of Radio Klakson Sp. z o.o. increased from 49% to 100%, which entitles the Company to exercising 100% of votes at the shareholders meeting.
- On 30 January 2004 Agora SA acquired shares in Radio Wanda Sp. z o.o. with its seat in Cracow – the broadcaster of a local radio program named *Złote Przeboje Wanda 92.5 FM*. After the transaction Agora's stake in the share capital of Radio Wanda Sp. z o.o. increased from 27% to 100%. Agora is entitled to exercising 100% of votes at the shareholders meeting.
- On 23 February 2004 Agora's subsidiary- Art Marketing Syndicate SA. with its seat in Poznań (AMS) and the company Clear Channel Poland Sp.z o.o. with its seat in Warsaw (CCP) founded a limited liability company under the business name Polskie Badania Outdooru (PBO). AMS SA. held 51% of PBO share capital entitling it to exercising 51% of total number of votes at the shareholders meeting. The object of PBO activity will be: research of outdoor advertising panels, authorizing the results of research in advertising campaigns and setting the standards of outdoor advertising research in Poland.
- On 28 April 2004 the increase of the initial capital of Lokalne Rozgłosnie Radiowe Sp. z o.o. (the subsidiary company of Agora SA) was registered. The increase was performed by the contribution in kind of shares of the subsidiary companies of Agora SA.
- On 24 June 2004 Agora purchased shares in Tres Sp. z o.o. with its seat in Sieradz - the broadcaster of a local radio program named *Radio Pabianice*. The acquired shares constitute a 48.51% stake in the share capital of Tres Sp. z o.o. and entitle the Company to exercise 48.51% of votes at the shareholders meetings.

V.C. OTHER SUPPLEMENTARY INFORMATION

1. The shares in Agora SA and its affiliates owned by members of the Management Board

1.1. Shares in Agora SA

Tab. 14

	as of 30 June 2004	Nominal value (PLN)
Zbigniew Bak	140,728	140,728
Helena Luczywo	1,228,422	1,228,422
Piotr Niemczycki	1,710,392	1,710,392
Wanda Rapaczynski	1,365,314	1,365,314
Jaroslaw Szalinski (1)	0	0

(1) Jaroslaw Szalinski is a member of the Management Board since 15 July 2004

1.2. The rights to acquire shares of Agora SA

Tab. 15

	as of 30 June 2004	As of 31 December 2004
Zbigniew Bak	85,486	0
Helena Luczywo	27,366	0
Piotr Niemczycki	37,981	0
Wanda Rapaczynski	38,543	0
Jaroslaw Szalinski (1)	9,218	0

(1) Jaroslaw Szalinski is a member of the Management Board since 15 July 2004

1.3. Shares in the affiliated company Agora-Holding Sp. z o.o.

Tab. 16

	as of 30 June 2004	Nominal value (PLN)
Wanda Rapaczynski	1	10,427.84
Piotr Niemczycki	1	10,427.84
Helena Luczywo	1	10,427.84

The stake held by each of the Management Board members constitutes 19.99% of the share capital and entitles them to exercise 19.99% of voting rights at the general meeting of Agora-Holding Sp. z o.o.

2. The shares in Agora SA and its affiliates owned by members of the Supervisory Board

2.1. Agora SA

Tab. 17

	as of 30 June 2004	Nominal value (PLN)
Anna Fornalczyk	0	0
Tomasz Sielicki	33	33
Stanislaw Soltysinski(1)	-	-
Louis Zachary	0	0
Sanford Schwartz	0	0

(1) Stanislaw Soltysinski invests in a „blind trust” fund

2.2. Shares in affiliated companies

According to the Company's best knowledge none of the Supervisory Board members held shares in Agora's affiliated companies.

3. The shares of Agora SA owned by Agora SA, group companies or parties acting on their behalf

The shares of Agora SA are not owned by Agora itself, group companies or parties acting on their behalf.

4. Changes to the basic rules of managing the issuer's company and its capital group. Description of changes in the organization of Agora's capital group

During first half of 2004 no changes were introduced to the basic rules of managing the issuer's company and its capital group. Except for changes of the issuer's capital affiliations with other entities discussed in the MD&A, no other changes were introduced in the organization of Agora's capital group.

5. Changes in the composition of the Management and Supervisory Board

On 24 June 2004 the General Meeting of Shareholders appointed the following persons:

- Jaroslaw Szalinski as Management Board member,
- Anna Fornalczyk and Sanford Schwartz as Supervisory Board members.

6. Shareholders entitled to exercising over 5% of total voting rights at the General Meeting of Shareholders. either directly or through affiliates

To the best of the Company's knowledge as of the day of publication of the report for the first half of 2004 the following shareholders are entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company:

Tab. 18

	no. of shares	% of share capital	no. of votes	% of voting rights
Agora-Holding Sp. z o.o.	11,348,738	20.00%	28,475,138	37.55%
Cox Poland Investment. Inc.	5,668,450	9.99%	7,568,663	9.99%

To the knowledge of Agora's Management Board here are no agreements which could result in future changes in the stakes held by its present shareholders, except for agreements in share distribution between Agora SA and Agora-Holding Sp. z o.o. concerning execution of participation plans in connection with the incentive plans carried out by Agora about which the Management Board informed on 18 December 2000 and two annexes to one of the above-mentioned agreements, whose main stipulations were announced in current reports of 14 April 2003 and 9 July 2003.

VI. POST BALANCE SHEET DAY EVENTS

Important post balance sheet events are described in the note 13 to the financial statements.

VII. ADDITIONAL INFORMATION TO THE REPORT

- As for 30 June 2004, the Group has not entered into litigation or has been litigated for claims or liabilities that in total exceed 10% of the Group's equity.
- As of 30 June 2004 the Group has not granted guarantees for loans that in total exceed 10% of the Group's equity.
- The structure of main capital investments:

In the first half of 2004 capital investments made within the Group of the issuer increased by PLN 11,4 million and decreased by PLN 0,4 million, as shown in the table below:

Tab. 19

in PLN million	increase	decrease
stock and shares	1.9	0.0
contributions to capital	2.3	0.0
loans	6.0	0.4
securities	1.2	0.0
Total	11.4	0.4

In the first half of 2004 net capital investments outside the Group of the issuer amounted to PLN 25.1 million (“buy sell back” treasury bills and certificates in investment funds).

In the interim period the main capital investments within the Group were loans granted by Agora SA to a related entity Inforadio Sp. z o.o. in the amount of PLN 4.6 million.

Warsaw, 27 September 2004

Wanda Rapaczynski – President of the Management Board

Piotr Pawel Niemczycki – Deputy President of the Management Board

Zbigniew Bak – Deputy President of the Management Board

Jaroslaw Szalinski – Member of the Management Board