

AGORA SA

CONSOLIDATED FINANCIAL STATEMENTS

as at 30 June 2000 AND 1999

prepared under

INTERNATIONAL ACCOUNTING STANDARDS

Contents

Consolidated balance sheets	1
Consolidated income statements	2
Consolidated statement of changes in shareholder's equity	3
Consolidated cash flow statements	4
Notes to the consolidated financial statements	5 - 18

Agora SA**Consolidated income statement for the six months ended 30 June 2000****with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

		At 30 June	
	Note	2000	1999
Assets			
Current assets:			
Cash and cash equivalents	2	61,496	31,528
Short-term securities	3	170,193	305,967
Accounts receivable and prepayments	4	109,768	79,462
Inventories	5	18,253	15,260
		<u>359,710</u>	<u>432,217</u>
Long-term assets:			
Property, plant and equipment	6	597,550	314,702
Intangible assets	7	33,899	40,904
Investments	8	40,767	33,952
		<u>672,216</u>	<u>389,558</u>
Total assets		<u>1,031,926</u>	<u>821,775</u>
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued charges	9	149,665	79,889
Short-term borrowings	10	-	44,013
		<u>149,665</u>	<u>123,902</u>
Long-term liabilities:			
Long-term borrowings	11	86,027	72,848
Deferred income taxes	12	12,531	7,507
		<u>98,558</u>	<u>80,355</u>
Shareholders' equity:			
Share capital	13	56,758	56,758
Share premium		367,138	367,138
Retained earnings and other reserves	14	359,807	193,622
		<u>783,703</u>	<u>617,518</u>
Total liabilities and shareholders' equity		<u>1,031,926</u>	<u>821,775</u>

See accompanying notes to the consolidated financial statements.

Agora SA**Consolidated income statement for the six months ended 30 June 2000****with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

		Six months ended 30 June	
	<u>Note</u>	<u>2000</u>	<u>1999</u>
Sales	15	406,795	335,129
Operating costs	16	(287,735)	(239,056)
Operating profit before other charges		119,060	96,073
Provision for losses on other investments		(600)	(2,400)
Profit after other charges		118,460	93,673
Interest and financial items	18	11,002	(6,861)
Dividends received		2,085	-
Profit before income taxes		131,547	86,812
Income taxes	19	(35,465)	(30,358)
Net profit for the period		96,082	56,454
Earnings per share (in PLN)	20	1.69	1.07

See accompanying notes to the consolidated financial statements.

Agora SA**Notes to the consolidated financial statements for six months ended 30 June 2000****with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

	Note	Share capital	Share premium	Retained earnings	Other reserves	Total
At 31 December 1998		44,141	-	128,543	8,625	181,309
Issue of ordinary shares		12,617	-	-	-	12,617
Other movements	14	-	-	7,587	(7,586)	1
Net profit for the year	14	-	-	126,446	-	126,446
Share premium from initial public offering		-	367,138	-	-	367,138
At 31 December 1999		<u>56,758</u>	<u>367,138</u>	<u>262,576</u>	<u>1,039</u>	<u>687,511</u>
Net profit for the period		-	-	96,082	-	96,082
Other movements		-	-	-	110	110
At 30 June 2000		<u>56,758</u>	<u>367,138</u>	<u>358,658</u>	<u>1,149</u>	<u>783,703</u>

See accompanying notes to the consolidated financial statements.

Agora SA**Notes to the consolidated financial statements for six months ended 30 June 2000****with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

	Six months ended 30 June	
	Note	
	2000	1999
Operating activities		
Operating profit before other charges	119,060	96,073
Depreciation of plant, property and equipment	21,035	18,908
Amortisation of intangible assets	4,031	2,610
(Profit)/loss on disposal of plant, property and equipment	2,286	228
	<u>146,412</u>	<u>117,819</u>
Movement in operating working capital	21 (18,899)	(5,329)
Net cash inflow before interest and tax	127,513	112,490
Interest received	2,796	3,531
Interest paid	(76)	(2,767)
Foreign exchange result	(868)	13,571
Tax paid	(22,281)	(19,925)
Net cash from operating activities	107,084	106,900
Investing activities		
Capital expenditure, net	(134,807)	(63,788)
Acquisition of subsidiary undertaking, net of cash acquired	-	-
Increase of long-term investments, net	(4,364)	(2,156)
Redemption/(acquisition) of short-term securities	53,948	(310,537)
Result on forward foreign exchange, future interest rate contracts	1,193	-
Dividends received	2,085	288
Net cash used in investing activities	(81,945)	(376,193)
Financing activities		
Increase / (decrease) in borrowings	-	(77,417)
Public offering equity contributions	-	379,755
Public offering expenditure	-	(18,760)
Net cash from financing activities	-	283,578
Change in cash and cash equivalents	25,139	14,285
Movements in cash and cash equivalents		
At start of period	36,357	17,243
Increase	25,139	14,285
At end of period	<u>61,496</u>	<u>31,528</u>

See accompanying notes to the consolidated financial statements

Agora SA

Notes to the consolidated financial statements for six months ended 30 June 2000

with comparative figures for 1999

(all amounts in PLN thousands unless otherwise indicated)

General information

Agora SA ("the Company") principally produces, sells and promotes the Gazeta Wyborcza daily newspaper and other print media in Poland. The Company operates in all the major cities in Poland and employs over 3,000 people.

1. Significant accounting policies

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

Basis of preparation

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

Translation of foreign currencies

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

Deferred income taxes

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

Receivables

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

Inventories

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

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

1. Significant accounting policies (continued)

Property, plant and equipment

Cost comprises costs incurred in their purchase or manufacture and includes exchange differences.

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

Agora SA

Notes to the consolidated financial statements for six months ended 30 June 2000

with comparative figures for 1999

(all amounts in PLN thousands unless otherwise indicated)

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

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

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

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

Intangible assets

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

Expenditures associated with the initial public offering are being amortised on a straight line basis over five years.

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

Investments

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

Methods of revenue recognition

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

1. Significant accounting policies (continued)

Borrowing costs

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

Employee plans

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

Related parties

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

Agora SA**Notes to the consolidated financial statements for six months ended 30 June 2000****with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

2. Cash and cash equivalents

	<u>2000</u>	<u>1999</u>
Cash at bank and in hand	308	377
Short-term bank deposits	44,561	10,180
Treasury bills	16,627	20,971
	<u>61,496</u>	<u>31,528</u>

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

3. Short-term securities

	<u>2000</u>	<u>1999</u>
Short-term commercial papers	144,193	115,881
Treasury bonds	-	190,086
Shares in an investment fund	26,000	-
	<u>170,193</u>	<u>305,967</u>

4. Accounts receivable and prepayments

	<u>2000</u>	<u>1999</u>
Trade Receivables	91,196	67,238
Other Receivables	11,934	7,794
Prepayments and accrued income	1,135	1,306
Income taxes	6	-
Other taxes and social security	5,497	3,124
	<u>109,768</u>	<u>79,462</u>

All receivables fall due within one year.

Trade receivables include amounts due from related entities arising from normal trading operations of PLN 992 thousand (30 June 1999: PLN 1,775 thousand).

5. Inventories

	<u>2000</u>	<u>1999</u>
Raw materials and consumables	17,519	14,334
Finished goods and goods for resale	734	926
	<u>18,253</u>	<u>15,260</u>

Agora SA**Notes to the consolidated financial statements for six months ended 30 June 2000****with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

6. Property, plant and equipment

	<u>Land and buildings</u>	<u>Plant, machinery and equipment</u>	<u>Assets under construction</u>	<u>Total</u>
Six months ended 30 June 2000				
Opening net book amount	71,131	125,477	127,880	324,488
Additions	664	20,012	262,287	282,963
Disposals and adjustments	(836)	(321)	(6,042)	(7,199)
Depreciation charge	(1,696)	(19,339)	-	(21,035)
Closing net book amount	<u>69,263</u>	<u>125,829</u>	<u>384,125</u>	<u>579,217</u>
At 30 June 2000				
Cost	79,139	236,939	384,125	700,203
Accumulated depreciation	<u>(9,876)</u>	<u>(111,110)</u>	<u>-</u>	<u>(120,986)</u>
	69,263	125,829	384,125	579,217
Prepayments for property, plant and equipment	-	-	-	18,333
Net book amount	<u>69,263</u>	<u>125,829</u>	<u>384,125</u>	<u>597,550</u>

The balance of assets under construction as at 30 June 2000 includes constructions in final stages amounting to PLN 294,730 thousand that were subsequently completed. Namely these were: a printing plant and a building at Warszawa Bialoleka and a printing plant and a building at Tychy with costs of PLN 129,793 thousand, PLN 33,425 thousand, PLN 103,812 thousand and PLN 27,700 thousand respectively. These constructions were completed in July 2000 and will be depreciated starting in August 2000.

All assets included above were owned by the Group.

Agora SA**Notes to the consolidated financial statements for six months ended 30 June 2000****with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

6. Property, plant and equipment (continued)

	Land and buildings	Plant, machinery and equipment	Assets under construction	Total
Six months ended 30 June 1999				
Opening net book amount per accounts of 31 December 1998	74,977	132,321	1,096	208,394
Adjustments for an error:	(6,077)	-	5,226	(851)
Opening net book amount	68,900	132,321	6,322	207,543
Additions	1,346	11,117	26,953	39,416
Disposals and adjustments	(182)	(456)	(1,123)	(1,761)
Depreciation charge	(1,350)	(17,558)	-	(18,908)
Closing net book amount	68,714	125,424	32,152	226,290
At 30 June 1999				
Cost	75,373	203,634	32,152	311,159
Accumulated depreciation	(6,659)	(78,210)	-	(84,869)
	68,714	125,424	32,152	226,290
Prepayments for property, plant and equipment	-	-	-	88,412
Net book amount	68,714	125,424	32,152	314,702

Opening balances as of 1 January 1999 of buildings and constructions and construction in progress have been adjusted for the effects of an error in classification. Consequently the buildings and constructions opening balance was decreased by PLN 5,226 and 851 thousand (6,077 in total) and the construction in progress opening balance was increased by PLN 5,226 thousand.

The PLN 5,226 thousand is an inter-company interest capitalised by a subsidiary that should have been eliminated out of buildings and constructions instead of construction in progress. The PLN 851 thousand is inter-company interest (charged in 1997) capitalised by a subsidiary that should have been eliminated against buildings and constructions in correspondence with retained earnings. The retained earnings closing balance as of 31 December 1997 has been also decreased by the PLN 851 thousand.

Agora SA**Notes to the consolidated financial statements for six months ended 30 June 2000****with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

7. Intangible assets

	Costs of initial public offering	Goodwill	Other intangible assets	Total
Six months ended 30 June 2000				
Opening net book amount	18,610	6,845	11,428	36,883
Additions	-	-	1,047	1,047
Amortisation charge	(2,152)	(1,174)	(705)	(4,031)
Closing net book amount	16,458	5,671	11,770	33,899
At 30 June 2000				
Cost	21,509	11,735	15,206	48,450
Accumulated depreciation	(5,051)	(6,064)	(3,436)	(14,551)
Net book amount	16,458	5,671	11,770	33,899
Six months ended 30 June 1999				
Opening net book amount	-	9,192	12,826	22,018
Reclassification	140	-	(140)	-
Additions	21,349	-	271	21,620
Amortisation charge	(727)	(1,174)	(709)	(2,610)
Disposals and adjustments	-	-	(124)	-
Closing net book amount	20,762	8,018	12,124	40,904
At 30 June 1999				
Cost	21,511	11,735	14,157	47,403
Accumulated depreciation	(749)	(3,717)	(2,033)	(6,499)
Net book amount	20,762	8,018	12,124	40,904

Agora SA**Notes to the consolidated financial statements for six months ended 30 June 2000****with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

8. Investments

	<u>Other investments</u>
Six months ended 30 June 2000	
Opening net book amount	38,329
Additions	6,185
Disposals and adjustments	(3,147)
Provision for loss on other investment	(600)
Closing net book amount	<u>40,767</u>
	<u>Other investments</u>
Six months ended 30 June 1999	
Opening net book amount	31,464
Additions	4,998
Disposals and adjustments	(110)
Provision for loss on other investment	(2,400)
Closing net book amount	<u>33,952</u>

As of 30 June 2000 investments include a 12.12% interest in the share capital of Telewizyjna Korporacja Partycypacyjna S.A. ("TKP"), an entity registered in Poland which holds controlling interests in entities providing pay-television broadcasting services, with a net book value totalling PLN 22,492 thousand (purchase cost PLN 121,009 thousand).

As at 30 June 1999 net book value was nil, purchase cost PLN 98,516 thousand.

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

9. Accounts payable and accrued charges

	<u>2000</u>	<u>1999</u>
Trade payables	111,583	46,141
Income taxes	6,390	7,083
Other taxes and social security	7,396	9,000
Other payables	7,320	6,461
Accruals and deferred income	16,976	11,204
	<u>149,665</u>	<u>79,889</u>

All amounts fall due within one year.

Included in accruals and deferred income is PLN 4,526 thousand set aside for the benefit of the individual Group entities' employees incentive plan.

Agora SA**Notes to the consolidated financial statements for six months ended 30 June 2000****with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

10. Short-term borrowings

	2000	1999
Short-term borrowings	-	-
Unsecured loans repayable wholly within one year	-	44,013
	<u>-</u>	<u>44,013</u>

In March 1999 the Company signed an agreement for a line of credit with BRE Bank SA for the amount of PLN 150 million. The facility is granted for the period from 4 May 1999 to 28 February 2001 and will be used for financing current activities and investments. As at 30 June 2000 the line of credit was not drawn upon.

11. Long-term borrowings

	2000	1999
Unsecured loans repayable after five years	86,027	72,848

Unsecured loans repayable after five years comprise a loan of USD 19.593 thousand (30 June 1999: USD 18.803 thousand) from shareholder Cox Poland Investments, Inc. which is repayable in 2007 or may (principal and interest), in 2000, be exchanged for 13,308 of the shares in TKP S.A. held by the Group, being 49% of class B ordinary shares in TKP. The annual rate of interest is 6.31% and interest is payable when the principal becomes due.

12. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a principal rate of 30% (1999: 34%) as follows:

	2000	1999
Accelerated tax depreciation and similar	24,832	15,763
Other temporary differences	(12,301)	(8,256)
	<u>12,531</u>	<u>7,507</u>

13. Share capital**Number of shares as at 30 June 2000**

	Issued 30 June 2000	Issued 30 June 1999
"Registered A" shares of PLN 1.00 each	4,281,600	4,281,600
"Registered B" shares of PLN 1.00 each	39,108,900	39,108,900
"Registered C" shares of PLN 1.00 each	750,000	750,000
"Registered D" shares of PLN 1.00 each	2,267,025	2,267,025
"Bearer E" shares of PLN 1.00 each	9,000,000	9,000,000
"Bearer F" shares of PLN 1.00 each	1,350,000	1,350,000
	<u>56,757,525</u>	<u>56,757,525</u>

Each Registered A share carries five votes at general meetings; Registered B shares carry one vote each

Agora SA

Notes to the consolidated financial statements for six months ended 30 June 2000

with comparative figures for 1999

(all amounts in PLN thousands unless otherwise indicated)

and Registered C shares carry up to five votes each limited to the overall percentage of shares owned. All the authorised and issued shares are fully paid up.

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

14. Retained earnings and of reserves

During 1999 an amount PLN 7,587 thousand was transferred from other reserves to retained earnings as it represents equity of Predecessor Entities which can be distributed.

Dividends

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

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

15. Sales and segment information

(a) Segment information

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

In January 2000 the Group announced its Internet strategy which aims to set up a new horizontal portal, which includes many vertical and local portals, which will generate revenue from advertising and, over time, e-commerce.

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

(b) Sales information

	2000	1999
Sales of newspapers and other goods	79,126	68,584
Sales of advertising and other services	321,973	261,991
Other sales	5,696	4,554
	<u>406,795</u>	<u>335,129</u>

Included in sales of advertising and other services are barter sales of PLN 2,242 thousand (30 June 1999: PLN 1,856 thousand).

Agora SA**Notes to the consolidated financial statements for six months ended 30 June 2000****with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

16. Operating costs

	<u>2000</u>	<u>1999</u>
Raw materials and consumables	91,711	84,097
Other external charges	84,245	69,137
Staff costs (Note 17)	86,713	64,304
Depreciation of property, plant and equipment	21,035	18,908
Amortisation of intangible assets	4,031	2,610
	<u>287,735</u>	<u>239,056</u>
Other external charges include the following items:		
Property operating lease rentals	6,969	5,020
Foreign exchange losses	420	726

17. Staff costs

	<u>2000</u>	<u>1999</u>
Wages and salaries	66,342	52,489
Social security costs	15,534	11,815
Employee incentive scheme costs	4,837	-
	<u>86,713</u>	<u>64,304</u>
Average number of persons employed	<u>3,098</u>	<u>2,710</u>

Directors' remuneration and other benefits

Remuneration of Management Board members paid pursuant to employment contracts amounted to PLN 1,325 thousand (30 June 1999: PLN 763 thousand). The remuneration of first half of 2000 reflects growth of Management Board from 3 to 4 members, and also contains one – off and non recurring expenses (approximately PLN 300 thousand) related to personal changes in the Management Board in that period.

Agora SA**Notes to the consolidated financial statements for six months ended 30 June 2000****with comparative figures for 1999**

(all amounts in PLN thousands unless otherwise indicated)

18. Interest and financial items

	<u>2000</u>	<u>1999</u>
Interest income	2,796	3,531
Income (loss) from short-term investments	14,883	(4,074)
Result on forward foreign exchange, future interest rate contracts	1,193	-
Foreign exchange translation gains	<u>-</u>	<u>-</u>
	18,872	(543)
Interest and other expenses:		
Overdrafts and other short-term borrowings	-	(2,017)
Loans repayable partly or wholly after five years	(2,884)	(2,621)
Foreign exchange translation losses	(4,910)	(930)
Other financing costs	<u>(76)</u>	<u>(750)</u>
	<u>(7,870)</u>	<u>(6,318)</u>
	<u>11,002</u>	<u>(6,861)</u>

19. Income taxes

	<u>2000</u>	<u>1999</u>
Current domestic income taxes	34,262	29,881
Deferred income taxes	<u>1,203</u>	<u>477</u>
	<u>35,465</u>	<u>30,358</u>

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

		<u>2000</u>	<u>1999</u>
Statutory domestic income tax rate	(%)	30	34
Temporary differences due to tax relieves	(%)	(3)	-
Other non-deductible expenses	(%)	<u>-</u>	<u>1</u>
	(%)	<u>27</u>	<u>35</u>

20. Earnings per share

Earnings per share has been calculated based on the number of shares issued for the current period and on the weighted average of the number of shares issued for the previous period. That is 56,757,525 and 52,551,850 shares as at 30 June 2000 and 30 June 1999 respectively.

21. Cash Flows: movement in operating working capital

Movement in operating working capital comprises

	<u>2000</u>	<u>1999</u>
Decrease in inventories	226	1,657
Increase in receivables	(28,115)	(14,633)
Increase in payables	<u>8,990</u>	<u>7,647</u>
	<u>(18,899)</u>	<u>(5,329)</u>

22. Financial risk management**Credit risk**

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

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

Exchange rate risk

There are no significant trade receivables denominated in foreign currency. Accounts payable requiring settlement in foreign currency amounted to PLN 82,840 thousand payable principally in German marks/Euros, and Swiss Francs.

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

The Group has a potential currency exposure since it purchases newsprint from abroad in Euros and has Western-currency commitments pursuant to equipment contracts. The Company manages foreign exchange risk by hedging specific contracts - foreign currency forwards or options are purchased.

As of 30 June 2000 the Group had the following foreign currency forward transactions running:

Currency data	Type of transactions	Amount in USD	Purchase rate USD/PLN
05.07.2000	purchase	2 000 000	4,5710
05.07.2000	purchase	500 000	4,4880
06.10.2000	purchase	1 000 000	4,3230
06.10.2000	sells	1 000 000	4,4215

Additionally, subsequent to the balance sheet date Agora went into 3 foreign currency SWAP transactions with ING Bank N.V. and with ABN AMRO Bank N.V. The transactions are aimed to hedge against the foreign currency risk related to newsprint purchases. With each of the transactions Agora buys EURO 500,000 for the amount of PLN 2,429 thousand, PLN 2,345 thousand and PLN 2,493 thousand, respectively. The transactions will be carried out every month for the 36 consequent months starting with 15 June 2000 in the case of one transaction and 15 August 2000 in case of the two others. With each of the transactions Agora will purchase in total EURO 18 million for the amounts of PLN 87,426 thousand, PLN 84,416 thousand and PLN 89,739 thousand, respectively. That guarantees constant EURO purchase rates at PLN 4.8570; 4.6898; and 4.9855, respectively, for 1 EURO.

Interest rate risk

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

Agora SA

Notes to the consolidated financial statements for six months ended 30 June 2000

with comparative figures for 1999

(all amounts in PLN thousands unless otherwise indicated)

The fixed and variable interest rates on the Group's debt are presented in Note 11.

23. Capital commitments

Contractual capital commitments existing at the date of signing the financial statements amounted to PLN 315,236 thousand.

On the 11 July Agora SA signed an agreement with Koenig & Bauer AG for the supply of printing presses to Agora's printing plants in Warsaw and Pila. The contract value amounts to DEM 28 million. The contract is accounted for in the contractual capital commitments amount presented above.

On the 7 July 2000 Agora SA entered into an agreement with Porr Polska SA (General Constructor) for the construction of the new premises. According to the terms of the agreement, the construction works are to be completed by 12 August 2002 and will be split into two phases. Phase I is to be completed by 17 December 2001 and Phase II by 12 August 2002. The lump sum contract price amounts to PLN 152 millions. The contract is accounted for in the contractual capital commitments amount presented above.

Following the start of the construction of the new premises, in the end of August 2000 Agora started to destroy the office and printing building in Czerska Street in Warsaw in order to make room for the new building. The works have neither been completed nor reconciled yet. The estimated net book value of the destroyed building amounts to PLN 12 million.

24. Contingencies

As of 30 June 2000 the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

Guarantees

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

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

@ Entertainment Arbitration

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

With regard to this dispute, Agora SA was disclosing a contingent liability of 22.5 % of any judgement against TKP. Agora SA has made no provisions with respect to this matter and the aforementioned decision removes the contingent liability.

Insurance

The operations and earnings of the Group continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments. The industries in which the Group is engaged

Agora SA

Notes to the consolidated financial statements for six months ended 30 June 2000

with comparative figures for 1999

(all amounts in PLN thousands unless otherwise indicated)

are also subject to physical risks of various kinds. The nature and frequency of the developments and events, not all of which are covered by insurance, as well as their effect on future operations and earnings are not predictable.

25. Commitments under operating leases

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

	2000	1999
Within one year	13,176	10,027
Between:		
one and two years	4,890	8,698
two and three years	2,608	3,493
three and four years	2,012	1,927
four and five years	1,558	1,425
later than five years	3,230	2,221
Total minimum payments	<u>27,474</u>	<u>27,791</u>

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

26. Post-balance sheet events

On the 2 August 2000 Agora SA purchased additional 60 shares in Inforadio Sp. z o.o. at a price of PLN 900 thousand. Consequently the Group's share in Inforadio increased from 29,19% to 41,61%.

Following the above disclosed transaction, on the 3 August 2000 Agora SA signed a preliminary conditional agreement to sell 11 shares in Inforadio Sp. z o.o. to "Polityka" Co-operative Partnership for a price not less than PLN 165 thousand and in a term no later than till 15 August 2002.

On the 3 August 2000 Agora SA, INTERIA.PL SA, Onet.pl, Vogel Publishing Sp. z o.o. PRESSPUBLICA Sp. z o.o. and Wirtualna Polska SA set up together a new venture named Polskie Badania Internetu Sp. z o.o. (Polish Internet Research Limited Liability Partnership). Each partner has same share of 16.67% in the share capital of PLN 6 thousand and votes of the venture. Polish Internet Research activities will focus on setting up and performing research on the internet and internet market as well as publishing and trading with the results.

**Agora announces consolidated financial statement for the first half of 2000
prepared according to the International Accounting Standards**

In the first half of 2000 the revenues of the group amounted to PLN 406.8 million (21.4% growth), and the net profit - PLN 96.1 million. EBITDA margin reached 36%.

Detailed management discussion of the results obtained in the first half of the year has been presented in the quarterly report for the first two quarters of 2000 released on 4 August 2000.

The accounting principles applied have been discussed in the notes to the financial statement.

The extraordinary events that have taken place after the 30 June 2000 are described in the note 26 to the financial statement.

Management Board

signed on the original:

Wanda Rapaczynski
President

Piotr Niemczycki
Vice-President

Helena Luczywo
Member

Zbigniew Bak
Member

Warsaw, 17 October 2000

Review report to the shareholders of Agora SA

We have reviewed the accompanying consolidated balance sheet of Agora SA (“the Company”, collectively, “the Group”) at 30 June 2000, and the related consolidated statements of income, changes in shareholders equity and cash flows for the six months then ended.

These consolidated financial statements are the responsibility of the directors. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true and fair view in all material respects in accordance with International Accounting Standards.

KPMG Polska Audyt Sp. z o.o.,

17 October 2000

Warsaw, Poland