

AGORA SA

CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 June 2001 AND 2000  
prepared under  
INTERNATIONAL ACCOUNTING STANDARDS

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**Agora SA****Consolidated balance sheet as at 30 June 2001 with comparative figures for 2000**

(all amounts in PLN thousands unless otherwise indicated)

		At 30 June	
	<u>Note</u>	2001	2000 restated (note 1)
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	2		61,496
		132,546	
Short-term securities	3		170,193
		106,340	
Accounts receivable and prepayments	4		109,768
		115,841	
Inventories	5	25,210	18,253
		<u>379,937</u>	<u>359,710</u>
Long-term assets:			
Property, plant and equipment	6		597,550
		701,930	
Intangible assets	7	12,670	15,397
Investments	8	33,297	40,767
		<u>747,897</u>	<u>653,714</u>
Total assets		<u>1,127,834</u>	<u>1,013,424</u>
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Accounts payable and accrued charges	9		149,665
		100,384	
Short-term borrowings	10	-	-
		<u>100,384</u>	<u>149,665</u>
Long-term liabilities:			
Long-term borrowings	11	8,783	86,027
Deferred income taxes	12	16,610	7,521
		<u>25,393</u>	<u>93,548</u>
Shareholders' equity:			
Share capital	13	56,758	56,758
Share premium		353,646	353,646
Retained earnings and other reserves	14		359,807
		<u>591,653</u>	<u>770,211</u>

**Agora SA**

**Consolidated balance sheet as at 30 June 2001 with comparative figures for 2000**

(all amounts in PLN thousands unless otherwise indicated)

	<u>1,002,057</u>	<u>                    </u>
Total liabilities and shareholders' equity		1,013,424
	<u>1,127,834</u>	<u>                    </u>

As described in note 1, the comparative figures for 2000 have been restated to conform with the change in accounting policy with respect to share issue costs.

See accompanying notes to the consolidated financial statements.

**Agora SA****Consolidated income statement for six months ended 30 June 2001****with comparative figures for 2000**

(all amounts in PLN thousands unless otherwise indicated)

		Six months ended 30 June	
	Note	2001	2000
Sales	15	406,544	
Operating costs	16	(318,439)	406,795 (287,735)
Operating profit		<u>88,105</u>	<u>119,060</u>
Gain on disposal of long-term investments	8	104,026	-
Provision for losses on associated investments	8	(12,097)	(600)
Profit after associated undertakings and other charges		<u>180,034</u>	<u>118,460</u>
Interest and financial items	18	(2,649)	11,002
Dividends received		<u>2,420</u>	<u>2,085</u>
Profit before income taxes		179,805	131,547
Income taxes	19	(22,066)	(35,465)
Net profit for the period		<u>157,739</u>	<u>96,082</u>
Earnings per share (in PLN)	20	2.78	1.69

See accompanying notes to the consolidated financial statements.

**Agora SA****Consolidated statement of changes in shareholders' equity for six months ended 30 June 2001****with comparative figures for 2000**

(all amounts in PLN thousands unless otherwise indicated)

	Note	Share capital	Share premium	Retained earnings	Other reserves	Total
<b>At 31 December 1999</b> as previously reported		<b>56,758</b>	<b>367,138</b>	<b>262,576</b>	<b>1,039</b>	<b>687,511</b>
Changes in accounting policy	1	-	(13,492)	-	-	(13,492)
<b>At 31 December 1999</b> restated		<b>56,758</b>	<b>353,646</b>	<b>262,576</b>	<b>1,039</b>	<b>674,019</b>
Net profit for the period		-	-	170,191	-	170,191
Other movements		-	-	-	108	108
<b>At 31 December 2000</b>		<b>56,758</b>	<b>353,646</b>	<b>432,767</b>	<b>1,147</b>	<b>844,318</b>
Net profit for the period		-	-	157,739	-	157,739
<b>At 30 June 2001</b>		<b>56,758</b>	<b>353,646</b>	<b>590,506</b>	<b>1,147</b>	<b>1,002,057</b>

As described in note 1, the comparative figures for 2000 have been restated to conform with the change in accounting policy with respect to share issue costs.

See accompanying notes to the consolidated financial statements.

**Agora SA****Consolidated cash flow statement for six months ended 30 June 2001  
with comparative figures for 2000**

(all amounts in PLN thousands unless otherwise indicated)

	Six months ended 30 June	
	Not	
	e	
<b>Operating activities</b>		
Operating profit before associated undertakings and other charges	88,105	119,060
Depreciation of plant, property and equipment	41,391	21,035
Amortisation of intangible assets	1,891	4,031
Loss/(Profit) on disposal of plant, property and equipment	(288)	2,286
	<u>131,099</u>	<u>146,412</u>
Movement in operating working capital	21 (5,803)	(18,899)
Net cash inflow before interest and tax	125,296	127,513
Interest received and paid	6,445	2,720
Foreign exchange result	(1,352)	(868)
Tax paid	(10,506)	(22,281)
<b>Net cash from operating activities</b>	<b>119,883</b>	<b>107,084</b>
<b>Investing activities</b>		
Capital expenditure, net	(94,134)	(134,807)
Net cash on sale and purchase of long-term investments	23,054	(4,364)
Redemption/(acquisition) of short-term securities	47,351	53,948
Result on foreign exchange forward, future interest rate contracts	1,941	1,193
Dividends received	2,420	2,085
<b>Net cash used in investing activities</b>	<b>(19,368)</b>	<b>(81,945)</b>
<b>Financing activities</b>		
Increase / (decrease) in borrowings	-	-
Public offering equity contributions	-	-
Public offering expenditure	-	-
Net cash from foreign currency SWAP contracts	(15,327)	-
<b>Net cash from financing activities</b>	<b>(15,327)</b>	<b>-</b>
<b>Change in cash and cash equivalents</b>	<b>85,188</b>	<b>25,139</b>
<b>Movements in cash and cash equivalents</b>		
At start of period	47,358	36,357
Increase	85,188	25,139
At end of period	<u>132,546</u>	<u>61,496</u>

See accompanying notes to the consolidated financial statements.

## **Agora SA**

### **Notes to the consolidated financial statements for six months ended 30 June 2001 with comparative figures for 2000**

(all amounts in PLN thousands unless otherwise indicated)

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#### **General information**

Agora SA ("the Company") principally produces, sells and promotes Gazeta Wyborcza the daily newspaper and other print media in Poland and controls or exercises significant influence over 15 radio stations. The Company operates in all the major cities in Poland and employs approximately 3,490 people.

#### **1. Significant accounting policies**

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

#### **Basis of preparation**

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

#### **Change in accounting policy**

During the year 2000, management of the Company adopted the recommendation SIC-17 of the Standing Interpretations Committee of International Accounting Standards and IAS no. 32 which requires that costs associated with the public offering of shares of a company, net of any tax savings, be netted against proceeds from the share issue. Accordingly, as at 30 June 2000, intangible assets and the deferred income tax liability were decreased by PLN 18,502 thousand and PLN 5,010 thousand, respectively, and shareholders' equity (share premium) was decreased by PLN 13,492 thousand.

#### **Translation of foreign currencies**

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

#### **Deferred income taxes**

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

#### **Receivables**

## **Agora SA**

### **Notes to the consolidated financial statements for six months ended 30 June 2001 with comparative figures for 2000**

(all amounts in PLN thousands unless otherwise indicated)

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

#### **Inventories**

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

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

#### **1. Significant accounting policies (continued)**

##### **Property, plant and equipment**

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

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

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

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

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

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

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

##### **Intangible assets**

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

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

##### **Investments**

## Agora SA

### Notes to the consolidated financial statements for six months ended 30 June 2001 with comparative figures for 2000

(all amounts in PLN thousands unless otherwise indicated)

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Short-term investments are stated at cost plus premiums accruing to the balance sheet date, which approximates to market value; movements on their valuation are recorded in income. Investments in shares of Polish investment funds that pay monthly dividends are stated at cost which approximates their fair market value.

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

#### Methods of revenue recognition

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

#### Borrowing costs

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

## 1. Significant accounting policies (continued)

#### Employee plans

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

#### Related parties

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

## 2. Cash and cash equivalents

	<u>2001</u>	<u>2000</u>
Cash at bank and in hand	300	308
Short-term bank deposits	132,246	44,561
Treasury bills	-	16,627
	<u>132,546</u>	<u>61,496</u>

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

**Agora SA****Notes to the consolidated financial statements for six months ended 30 June 2001  
with comparative figures for 2000**

(all amounts in PLN thousands unless otherwise indicated)

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**3. Short-term securities**

	<u>2001</u>	<u>2000</u>
Short-term commercial papers	62,604	144,193
Shares in investment funds	<u>43,736</u>	<u>26,000</u>
	<u>106,340</u>	<u>170,193</u>

Shares in money market (risk free) investment funds are purchased and sold based on cash flow needs.

**4. Accounts receivable and prepayments**

	<u>2001</u>	<u>2000</u>
Trade receivables	83,461	91,196
Other receivables	27,188	11,934
Prepayments and accrued income	2,529	1,135
Income taxes	6	6
Other taxes and social security	<u>2,657</u>	<u>5,497</u>
	<u>115,841</u>	<u>109,768</u>

All receivables fall due within one year.

Trade receivables include amounts due from related entities arising from normal trading operations of PLN 1,908 thousand (30 June 2000: PLN 992 thousand).

**5. Inventories**

	<u>2001</u>	<u>2000</u>
Raw materials and consumables	18,618	17,519
Finished goods and goods for resale	<u>6,592</u>	<u>734</u>
	<u>25,210</u>	<u>18,253</u>

The balance of finished goods and goods for resale as at 30 June 2001 includes a printing press that is no longer in use and has been offered for resale. The carrying cost of the asset is PLN 5,927 thousand, which includes the net book value of the equipment when removed from use of PLN 4,778 thousand, and capitalised removal costs of PLN 1,149 thousand.

**Agora SA****Notes to the consolidated financial statements for six months ended 30 June 2001  
with comparative figures for 2000**

(all amounts in PLN thousands unless otherwise indicated)

**6. Property, plant and equipment**

	Land and buildings	Plant, machinery and equipment	Assets under construction	Total
<b>Six months ended 30 June 2001</b>				
Opening net book amount	164,502	409,821	65,456	639,779
Additions	447	51,203	42,788	94,438
Disposals and adjustments	(272)	(326)	(21,935)	(22,533)
Depreciation charge	(3,612)	(37,779)	-	(41,391)
Closing net book amount	<u>161,065</u>	<u>422,919</u>	<u>86,309</u>	<u>670,293</u>
<b>At 30 June 2001</b>				
Cost	174,451	562,775	86,309	823,535
Accumulated depreciation	<u>(13,386)</u>	<u>(139,856)</u>	-	<u>(153,242)</u>
	161,065	422,919	86,309	670,293
Prepayments for property, plant and equipment	-	-	-	31,637
Net book amount	<u>161,065</u>	<u>422,919</u>	<u>86,309</u>	<u>701,930</u>

All assets included above were owned by the Group.

	Land and buildings	Plant, machinery and equipment	Assets under construction	Total
<b>Six months ended 30 June 2000</b>				
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	<u>(1,696)</u>	<u>(19,339)</u>	-	<u>(21,035)</u>
Closing net book amount	<u>69,263</u>	<u>125,829</u>	<u>384,125</u>	<u>579,217</u>
<b>At 30 June 2000</b>				
Cost	79,139	236,939	384,125	700,203
Accumulated depreciation	<u>(9,876)</u>	<u>(111,110)</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>

**Agora SA****Notes to the consolidated financial statements for six months ended 30 June 2001  
with comparative figures for 2000**

(all amounts in PLN thousands unless otherwise indicated)

**7. Intangible assets**

	<u>Goodwill</u>	<u>Other intangible assets</u>	<u>Total</u>
<b>Six months ended 30 June 2001</b>			
Opening net book amount	4,508	10,094	14,602
Additions	-	(41)	(41)
Amortisation charge	(1,165)	(726)	(1,891)
Disposals and adjustments	-	-	-
Closing net book amount	<u>3,343</u>	<u>9,327</u>	<u>12,670</u>
<b>At 30 June 2001</b>			
Cost	11,735	14,283	26,018
Accumulated depreciation	<u>(8,392)</u>	<u>(4,956)</u>	<u>(13,348)</u>
Net book amount	<u>3,343</u>	<u>9,327</u>	<u>12,670</u>
	<u>Goodwill</u>	<u>Other intangible assets</u>	<u>Total</u>
<b>Six months ended 30 June 2000</b>			
Opening net book amount	6,845	8,690	15,535
Additions	-	1,047	1,047
Amortisation charge	(1,174)	(11)	(1,185)
Disposals and adjustments	-	-	-
Closing net book amount	<u>5,671</u>	<u>9,726</u>	<u>15,397</u>
<b>At 30 June 2000</b>			
Cost	11,735	15,367	27,102
Accumulated depreciation	<u>(6,064)</u>	<u>(5,641)</u>	<u>(11,705)</u>
Net book amount	<u>5,671</u>	<u>9,726</u>	<u>15,397</u>

As described in note 1, the comparative figures for 2000 have been restated to conform with the change in accounting policy with respect to share issue costs.

## Agora SA

### Notes to the consolidated financial statements for six months ended 30 June 2001 with comparative figures for 2000

(all amounts in PLN thousands unless otherwise indicated)

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#### 8. Investments

	<u>Other investments</u>
<b>Six months ended 30 June 2001</b>	
Opening net book amount	50,196
Additions	16,643
Disposals and adjustments	(31,673)
Provision for loss on other investment	(1,869)
Closing net book amount	<u>33,297</u>

	<u>Other investments</u>
<b>Six months ended 30 June 2000</b>	
Opening net book amount	38,329
Additions	6,185
Disposals and adjustments	(3,147)
Repayment of loan to TKP	-
Provision for loss on other investment	(600)
Closing net book amount	<u>40,767</u>

During the period Agora disposed of its 12,12% interest in shares of Telewizyjna Korporacja Partycypacyjna S.A. (TKP).

The gain on disposal of its investment, with a net book value of PLN 22,491 thousand, amounts to PLN 104,026 thousands and includes proceeds from the disposition of the shares, net interest income and foreign exchange gains. Proceeds consisted of settlement of its loan payable of PLN 81,881 thousand to its shareholder Cox Poland Investments, Inc (Cox) in exchange for 5.94% of TKP shares, cash proceeds of PLN 41,264 thousand for 6.18% of TKP shares, net interest income of PLN 1,793 thousand and net foreign exchange gains of PLN 1,579 thousand.

The tax effect on this transaction is included in income tax charge for the period. The transaction brought about an increase in tax of PLN 2,112 thousand, while the tax due on the back of the said transactions (paid in the first half) decreased by PLN 4,558 thousand.

The sale of TKP shares increased the Company's net profit for the period by PLN 101,914 thousand (calculated as of 30 June, 2001). This impact may change during the year since TKP transactions affect tax credits settlements (which depend on the financial result for the whole 2001).

Provision for losses on associated investments was set up for a repayment of a bank loan granted to the affiliated entity, Inforadio Sp. z o.o., and guaranteed by Agora in the amount of PLN 9.6 million and a diminution in value in shares and loans in the amount of PLN 2.5 million (out of the amount 0.6 million is provided for loans classified as short term receivables).

**Agora SA****Notes to the consolidated financial statements for six months ended 30 June 2001  
with comparative figures for 2000**

(all amounts in PLN thousands unless otherwise indicated)

**9. Accounts payable and accrued charges**

	<u>2001</u>	<u>2000</u>
Trade payables	49,357	111,583
Income taxes	1,920	6,390
Other taxes and social security	13,899	7,396
Other payables	20,193	7,320
Accruals and deferred income	15,015	16,976
	<u>100,384</u>	<u>149,665</u>

All amounts fall due within one year.

Included in accruals and deferred income is PLN 1,365 thousand (30 June 2000, PLN 4,526 thousand) provided aside for the benefits of the individual Group entities' employees incentive plan.

Provision for loan granted of PLN 9,6 million (see note 8) is included in other payables.

**10. Short-term borrowings**

In February 2001 the Company signed an amendment to the agreement for a line of credit with BRE Bank SA for the amount of PLN 150 million. The facility is now granted to 28 February 2004, to be repaid in four quarterly instalments in 2004, and can be used for financing current activities and investments. As at 30 June 2001 the previously authorised line of credit was not drawn upon.

**11. Long-term borrowings**

	<u>2001</u>	<u>2000</u>
Unsecured loan from a minority shareholder	-	86,027
Long-term net liability from cross-currency loan	8,783	-
Total long term liabilities	<u>8,783</u>	<u>86,027</u>

Net liabilities arising from cross-currency loan consist of a loan payable to a bank in the amount of PLN 51,659 thousand, net of deposits receivable from the same bank in the aggregate amount of PLN 42,882 thousand (the PLN equivalent of EURO 12,693 thousand converted at the 30 June 2001 rate). The loan payable bears interest at 18.12%, and the deposit earn interest at 5.26%.

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

The unsecured loan comprised a loan of PLN 86,027 thousand from shareholder Cox Poland Investments, Inc. which was settled in exchange for the Groups stake in TKP (please refer to note 8 for details).

## Agora SA

### Notes to the consolidated financial statements for six months ended 30 June 2001 with comparative figures for 2000

(all amounts in PLN thousands unless otherwise indicated)

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#### 12. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a principal rate of 28% (2000: 30%) as follows:

	2001	2000
Accelerated tax depreciation and similar	26,915	24,832
Other tax assets	(10,305)	(17,311)
	<u>16,610</u>	<u>7,521</u>

As described in note 1, the comparative figures for 2000 have been restated to conform with the change in accounting policy with respect to share issue costs.

#### 13. Share capital

##### Number of shares as at 30 June 2001

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

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

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

All the authorised and issued shares are fully paid up.

#### 14. Retained earnings and other reserves

##### Dividends

At the Annual General Meeting held to approve the Company's statutory financial statements for the year ended 31 December 2000 the shareholders resolved that no dividend would be paid in respect of 2000 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.

**Agora SA****Notes to the consolidated financial statements for six months ended 30 June 2001  
with comparative figures for 2000**(all amounts in PLN thousands unless otherwise indicated)

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**15. Sales and segment information****(a) Segment information**

Substantially all the Group's sales and operating profit are derived from the principal activity of the copy sales and advertising sales of the Gazeta Wyborcza newspaper and other print media in Poland. The Group commenced its activities in radio broadcasting in 1996, through numerous investments in local and one super-regional radio station in Poland. The financial statements of the related entities have not been consolidated with those of the Group as the impact of the operations, results and cash flows of these activities is not material to consolidated financial statements, taken as a whole. The Group's sole activity in television broadcasting has been the investment in 1997 in TKP, since disposed (Note 8).

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

**(b) Sales information**

	<u>2001</u>	<u>2000</u>
Sales of newspapers and other goods	83,248	79,126
Sales of advertising and other services	315,230	321,973
Other sales	8,066	5,696
	<u>406,544</u>	<u>406,795</u>

Included in sales of advertising and other services are barter sales of PLN 1,651 thousand (for six months 2000: PLN 2,242 thousand).

**16. Operating costs**

	<u>2001</u>	<u>2000</u>
Raw materials and consumables	93,962	91,711
Other external charges	84,702	84,245
Staff costs (Note 17)	96,493	86,713
Depreciation of property, plant and equipment	41,391	21,035
Amortisation of intangible assets	1,891	4,031
	<u>318,439</u>	<u>287,735</u>

Other external charges include the following items:

Property operating lease rentals	6,920	6,969
Foreign exchange losses/gains	(2,633)	420

**Agora SA****Notes to the consolidated financial statements for six months ended 30 June 2001  
with comparative figures for 2000**

(all amounts in PLN thousands unless otherwise indicated)

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**17. Staff costs**

	<u>2001</u>	<u>2000</u>
Wages and salaries	77,505	66,342
Social security costs	17,995	15,534
Employee incentive scheme costs	993	4,837
	<u>96,493</u>	<u>86,713</u>
Average number of persons employed	<u>3,496</u>	<u>3,098</u>

**Directors' remuneration and other benefits**

Remuneration of Management Board members paid pursuant to employment contracts amounted to PLN 1,429 thousand (30 June 2000: PLN 1,325 thousand).

**18. Interest and financial items**

	<u>2001</u>	<u>2000</u>
Interest income	5,265	2,796
Income, other than dividends, from short-term investments	11,614	14,883
Net gains on foreign exchange, future interest rate contracts	1,941	1,193
Foreign exchange translation gains	-	-
	<u>18,820</u>	<u>18,872</u>
Interest and other expenses:		
Interest on unsecured loan from minority shareholder	-	(2,884)
Net interest expense on cross-currency loan (note 11)	(11 793)	-
Foreign exchange losses on deposits receivable (note 11)	(5 907)	-
Foreign exchange translation losses	(3 643)	(4,910)
Other financing costs	(126)	(76)
	<u>(21,469)</u>	<u>(7,870)</u>
	<u>(2,649)</u>	<u>11,002</u>

Foreign exchange losses on deposits receivable related to cross-currency loan (note 11) include unrealised foreign exchange losses of PLN 6,772 thousands.

## Agora SA

### Notes to the consolidated financial statements for six months ended 30 June 2001 with comparative figures for 2000

(all amounts in PLN thousands unless otherwise indicated)

#### 19. Income taxes

	2001	2000
Current domestic income taxes	11,533	34,262
Deferred income taxes	10,533	1,203
	<u>22,066</u>	<u>35,465</u>

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

		2001	2000
Statutory rate:	(%)	28.0	30.0
Tax effect of the gain of the TKP disposal	(%)	(16.2)	-
Tax effect of the balance of other permanent differences	(%)	0.5	(3)
Effective income tax rate	(%)	<u>12.3</u>	<u>27</u>

#### 20. Earnings per share

Earnings per share were calculated based on the number of shares issued for the current period that is 56,757,525.

#### 21. Cash flows: movement in operating working capital

Movement in operating working capital comprises

	2001	2000
Decrease in inventories	456	226
Increase in receivables	(97)	(28,115)
Decrease/increase in payables	(6,162)	8,990
	<u>(5,803)</u>	<u>(18,899)</u>

#### 22. Financial risk management

##### Credit risk

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

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

##### Exchange rate risk

There are no significant trade receivables denominated in foreign currency. Accounts payable requiring settlement in foreign currency amounted to PLN 26,841 thousand payable principally in German marks/Euros, and Swiss Francs.

The Group has a potential currency exposure since it has Western-currency commitments pursuant to equipment contracts and it purchases newsprint from outside of Poland in Euros. The Company manages its foreign exchange risk by purchasing foreign currency forward

## **Agora SA**

### **Notes to the consolidated financial statements for six months ended 30 June 2001 with comparative figures for 2000**

(all amounts in PLN thousands unless otherwise indicated)

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contracts and undertaking other financial instruments such as cross-currency loan (as described in note 11) as a general hedge against such risk.

In addition, Agora has foreign currency contract, pursuant which it is obliged to buy EURO 500,000 for the amount of PLN 2,429 thousand, every month starting from 15 August 2002 and ending in July 2003. The fair market value of the contract approximates its fair market value at 31 December 2000.

#### **Interest rate risk**

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

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

#### **23. Capital commitments**

Contractual capital commitments existing at the date of signing the financial statements amounted to PLN 132,068 thousand.

As of 30 June 2001 future capital expenditures budgeted by the Group for the following 12 months amounted to PLN 249,000 thousand.

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

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

#### **24. Contingencies**

As of 30 June 2001 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 9,611 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, for which the guarantee has been provided (note 8).

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

#### **Insurance**

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

## Agora SA

### Notes to the consolidated financial statements for six months ended 30 June 2001 with comparative figures for 2000

(all amounts in PLN thousands unless otherwise indicated)

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#### 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:

	2001	2000
Within one year	9,204	13,176
Between:		
one and two years	3,168	4,890
two and three years	2,367	2,608
three and four years	1,435	2,012
four and five years	899	1,558
later than five years	2,139	3,230
Total minimum payments	19,212	27,474

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

#### 26. Post-balance sheet events

On 6 July 2001 on the basis of conditional share purchase agreement Agora has become an owner of shares in ROM Sp. z o.o. constituting 51% of the share capital of the company, which broadcasts Warsaw local radio Klasyka 103.7 FM. Together with previously owned shares Agora owns 100% of the share capital and is entitled to 100% votes on the General Shareholders Meeting. The purchase price amounted to PLN 779 thousand.

Following a sale agreement on 25 July 2001 Agora has become an owner of additional shares in Trefl Sp. z o.o. constituting 41% of the share capital of the company. Together with previously owned shares Agora now owns 99,96% of the share capital in Trefl Sp. z o.o. and is entitled to 99,96% votes at the General Shareholders Meeting. The purchase price amounted to PLN 3.2 million.

On August 8<sup>th</sup>, 2001 on the basis of share purchase agreement, Agora became the owner of shares constituting 90% of the share capital of Agencja Reklamowa Jowisz, which entitle Agora to 90% of all votes at the General Meeting of Shareholders. On the same day, the Management Board of Agora decided to contribute to assets of that company in the form of receivables resulting from the loan given to Association Jowisz, based in Walbrzych.

Agencja Reklamowa Jowisz owns 77% of the share capital in the Twoje Radio Sp. z o.o., which broadcasts a local radio in Walbrzych.

**Agora announces consolidated financial statement for the first half of 2001  
prepared according to the International Accounting Standards**

In the first half of 2001 the revenues of the group amounted to PLN 406.5 million (flat in comparison to 2000), and the net profit - PLN 157.7 million. EBITDA margin reached 32.2% (35.1% on newspaper operations).

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 2001 released on 6 August 2001.

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

The post-balance sheet events that have taken place after the 30 June 2001 are described in the note 26 to the financial statement.

Management Board

Wanda Rapaczynski .....  
*President*

Piotr Niemczycki .....  
*Vice-President*

Helena Luczywo .....  
*Member*

Zbigniew Bak .....  
*Member*

Warsaw, 12 October 2001

## **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 2001, 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.,

12 October 2001

Warsaw, Poland