

AGORA GROUP: SA-Qs III/2003
THE MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
OF THE COMPANY'S INTERIM RESULTS
FOR THE THREE QUARTERS OF 2003 PRESENTED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS

REVENUE PLN 619.9 MLN, EBITDA PLN 118.0 MLN, OPERATING CASH FLOW PLN 98.4 MLN

Unless indicated otherwise, all the data presented below represent the period of January-September 2003, while the comparison refers to the first three quarters of 2003 versus the first three quarters of 2002.

The percent changes presented herein have been calculated on the basis of exact (not rounded off) figures.

Market data sources

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

Unless explicitly stated otherwise, all advertising figures referred herein are based on Agora's estimates adjusted for an average discount rate and are presented in current prices. Given the discount pressure and advertising time and space sell-offs, these figures may not be all correct and will be adjusted in the consecutive reporting periods.

The estimates referring to employment advertising category are more precise because they are based on Gazeta Wyborcza's revenues which constitute about 88% share of this category in all paid dailies.

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

I. IMPORTANT EVENTS AND FACTORS WHICH INFLUENCE FINANCIAL RESULTS OF THE GROUP

- In the third quarter of 2003, the Polish advertising market shrank by 4.2% yoy; print advertising lost 4.2%, while its daily newspaper segment went down by 9.6% yoy. The signs of the economic recovery are getting firmer and should translate into a positive advertising trend in the fourth quarter of 2003.
- Consolidated revenue of the Group grew by 11.5% in the first three quarters of the year. The press segment sales (excluding magazines) declined by 5.3% yoy.
- In the third quarter, the average EUR/PLN exchange rate was up by 8.5%, which resulted in PLN 1.8 million increase of *Gazeta Wyborcza's* newsprint cost.
- The Group generated PLN 98.4 million operating cash flow, the net debt of the Group (gross debt less cash and short-term securities) amounted to PLN 53.0 million.
- On October 22, 2003, Axel Springer launched a new national tabloid newspaper *Fakt. Gazeta codzienna*. According to the *Fakt's* publisher the print run of the daily should reach 700 thousand copies, and its copy sales should stay at 200 thousand copies. The copy price is slated for PLN 1.

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

“The economy is taking off and at last, the advertising market outlook is turning positive. Agora used the three years of recession to get ready for this moment.

At the same time, there are new entrants into the daily newspaper market. Axel Springer's tabloid just hit the newsstands, while daily *Zycie*, which closed down last year, announced a comeback. We are well prepared to face whatever degree of competition to *Gazeta* these new entrants will pose.”

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

1. EXTERNAL FACTORS

1.1. Economy

In the third quarter of 2003 the economic recovery continued. According to the government's estimates, the GDP growth over the period reached 3.9%. Although still leveraged by export, the industrial output grew by around 9% on average. Companies posted much better financial results. Yet, they have not translated into the growth in investments.

The state of public finances (growing budget deficit and public debt) causes uncertainty. The government presented its austerity programme (so called Hausner's plan) based on the cuts to the budget spending. It is not clear whether the Parliament accepts the programme and what will be the approved scope of the actions.

Some analysts warn that the programme is not radical enough. The market's uncertainty triggered significant depreciation of the Polish zloty.

1.2. Advertising market

According to Agora's estimates, the total advertising spending decreased by 4.2% yoy in the third quarter of 2003 and 24% vis a vis the second quarter of 2003. The pace of decline was by and large steeper than that recorded during every holiday season.

In the third quarter of the year print employment advertising posted a growth of 2%, while in the period of the first nine months of 2003 the increase reached 3%. A lively growth was also observed in the number of employment ads. The first nine months brought a 19% rise, while September's statistics showed a 20% one. Automotive advertisers spent 16% more in the third quarter of the year. The bottoming out trend was noted in the construction advertising category.

Much steeper than expected decline of the advertising market in the third quarter of 2003 was attributed to TV, which lost 6.5% of revenue over that period. Such a decline was down to food advertising category, which decreased by 9%. Radio advertising went up by 1.8%, whereas outdoor by 4.1%. As was the case in previous quarters, in the third quarter of the year national radio stations benefited at the expense of their local competitors. Over the period national radio advertising revenue grew by 14%, while local radio advertising declined by 16%.

In the period of July-September 2003, the dailies advertising suffered 9.6% decline yoy. National dailies continued to decelerate the most (down 13.2% yoy). The most adversely affected ad categories were telecom (down 51%) and finance (down 12%), while automotive advertisers increased their spendings by 17%.

Advertising expenditures in the magazine segment went up by 4.4% in the third quarter of the year boosted by a growth in the automotive and clothing categories, up 19% and 15%, respectively.

1.3. Circulation market

The negative trend in the dailies copy sales market has not eased. According to the National Circulation Audit Office (ZKDP), the number of newspapers sold in the period of January-August 2003 decreased by 6% (the audited data on copy sales of dailies for September 2003 are not yet available). Copy sales of national information dailies declined by 8.9% and - if we exclude the daily *Zycie*, which ceased publication in December 2002 - the market declined by 5.9% against the corresponding period of 2002. The largest decline affected *Trybuna* (19%) and tabloid *Super Express*, the latter posting a 12% decrease.

1.4. Competitive environment

On October 22, 2003, Axel Springer commenced publishing a new national tabloid *Fakt. Gazeta codzienna*. The publisher assumes a circulation of 700 thousand copies and a cover price of PLN 1. The daily is slated to sell 200 thousand copies initially and to reach 300 thousand copy sales in the long term. The editorial team of *Fakt* consists of 120 journalists. By the end of 2004 Axel Springer will commit EUR 15 to 20 million to advertising and promotion activities. Based on the above assumptions the publisher is bound to incur significant financial losses over the next few years.

After having seen the first few issues of *Fakt*, it seems that the daily's target audience differs from *Gazeta's* active and well-educated readers. *Fakt* is a tabloid and will compete with *Super Express* in the readership market. Still, it is too early to draw the conclusion to what extent the new daily will compete with *Gazeta* in the advertising market.

According to the publisher, its daily *Zycie*, which ceased publication in December 2002, will re-enter the market only this year. *Zycie's* print run is slated to reach around 100 thousand copies.

1.5. The media law

The works on the draft law were divided into two phases. The first phase encompassed the small re-draft harmonizing Polish regulations with the EU directives adopted by the government on October 21, 2003. The major redraft is to be ready at the beginning of next year. However, due to controversies over the shape of the law, as well as the continuation of the proceedings by the investigative committee, such timetable seems unrealistic.

Since the new facts were revealed in the so called Rywingate affair, the investigative committee is to continue hearings. The trial against Lew Rywin is scheduled for December 2, 2003.

2. INTERNAL FACTORS

2.1. New businesses

In line with the Company's operating goals, AMS will reach EBITDA break even in 2003.

Due to intensive marketing activities aimed at enhancement of the selected magazine titles, the portfolio of our magazines will post a small operating loss this year. The existing portfolio of magazines shall reach EBITDA break even in 2004.

3. PROSPECTS FOR THE REMAINDER OF THE YEAR

3.1. Revenue and operating cost

3.1.1. Revenue

Should the economic signs remain firm, we will see a positive trend in the advertising market in the fourth quarter of the year.

Given the weaker than expected performance of the television advertising in the third quarter of the year, the Company revised its assumptions in regard to the whole advertising spending in 2003. The total advertising market (in current prices) will decline ca 1%. TV advertising will be down by around 1%, radio will be up 8% and outdoor will grow by around 2%. The dailies will be the most decelerating segment (a decline of more than 10%).

The consolidated revenue of the Group will grow less than 10%, while *Gazeta's* advertising sales will see a double digit decline.

3.1.2. Operating cost

a) consolidation of new businesses

The consolidation and integration of new businesses with the Agora Group significantly increased the cost base of the Company and will have a negative impact on net result achieved by the Group in 2003 due to, among others, goodwill write-off amounting to PLN 11.5 million for the whole year of 2003, amortization of new magazine titles amounting to PLN 5.7 million and consolidation of net loss of new businesses.

In the first three quarters of 2003, the new businesses decreased operating profit of the Group by PLN 26.5 million (including goodwill write-off in the amount of PLN 9.7 million and amortization of new magazine titles of PLN 4.3 million) and the net result by PLN 33.7 million (including interest expense on the loan drawn to finance the investment in AMS).

b) foreign exchange rate risk

Cost of production materials (mainly newsprint purchased by Agora) and printing services from external printing houses is exposed to foreign exchange rate risk. In the first three quarters of 2003, an average EUR/PLN exchange rate increased by around 13.7% against the Polish zloty against the average rate in the corresponding period of 2002. Still, the cost of newsprint bought by Agora and used for production of *Gazeta Wyborcza* was 18.2% lower yoy. This decline was caused by the following reasons: (i) the substantial decrease of newsprint usage in tons resulting from the fact that Agora stopped buying newsprint for third party printers; (ii) the material decrease in the price of newsprint denominated in EURO.

Given the real EUR/PLN exchange rate appreciation by 9.1% vis a vis the Group's assumptions, in the first nine months of the year the newsprint cost was PLN 6.1 million higher than expected.

Due to the significant EUR appreciation against PLN in the last two months and taking into account the risk of further strengthening of EUR, the Management Board assumes that should EUR increase by 13% in the fourth quarter of 2003 versus the Company's EUR/PLN exchange rate level estimates, *Gazeta's* newsprint cost and printing services rendered for the newspaper and magazines by external printing plants will be around PLN 3.8 million higher than expected.

c) financial cost on credit facility

Due to realization of the growth strategy, in April, 2002, the Company signed a credit facility agreement in the amount of PLN 500 million. As of September 30, 2003 Agora drew a tranche of PLN 139.5 million. In the period of January-September 2003, the financial cost resulting from the execution of the loan agreement reached PLN 6.8 million.

3.1.3. Competition

Axel Springer launched a new national tabloid, *Fakt*. In the opinion of Agora's Management Board protection of *Gazeta Wyborcza's* market position is the Company's priority for the years of 2003 and 2004.

The Group is fully mobilized for a market battle against the new competitor. Some of our projects have already been implemented, including image campaign of *Gazeta*, changes to *Gazeta's* layout and launching of a new supplement for men, *High Gear*. On October 22, 2003, the Company relaunched the enhanced Warsaw free daily *Metro*. From now on the daily will be published six days a week.

Our competitive actions aimed at protecting *Gazeta's* market position may involve tens of millions of zlotys. In the third quarter, the Company spent around PLN 5 million for that purpose (excluding inter-group advertising). Due to the delay in the debut of Axel Springer's new daily, the Company shifted part of its planned expenditure to the fourth quarter of 2003.

Agora will be monitoring the progress of its competitors. The scale of the Company's expenditure in both 2003 and 2004 will be determined by that progress. Agora will be launching its projects depending upon the competitive situation.

III. FINANCIAL RESULTS

1. THE AGORA GROUP

The consolidated financial statements of the Agora Group for the third quarter of 2003 include Agora SA, Agora Poligrafia Sp. z o.o., the Art Marketing Syndicate S.A. Group (AMS), and 23 subsidiary and associated companies of the radio business.

Companies consolidated by means of the full consolidation method		Agora's equity holding as at 30/09/03	Companies valued with the equity method		Agora's equity holding as at 30/09/03
1	Agora SA		18	Inforadio Sp. z o.o.	41.61%
2	KKK FM S.A.	84.18%	19	Jan Babczyszyn Radio Jazz FM Sp. z o.o.	42.00%
3	Elita Sp. z o.o.	99.08%	20	BOR Sp. z o.o.	48.16%
4	Radio Trefl Sp. z o.o.	99.96%	21	Radio Mazowsze Sp. z o.o.	23.95%
5	IM 40 Sp. z o.o.	72.01%	22	Radio Wanda Sp. z o.o.	27.00%
6	LRR Sp. z o.o.	100.00%	23	Multimedia Plus Sp. z o.o.	24.00%
7	O'LE Sp. z o.o.	100.00%	24	Wibor Sp. z o.o.	48.99%
8	Karolina Sp. z o.o.	100.00%	25	Radio Klakson Sp. z o.o.	49.00%
9	CITY Radio Sp. z o.o.	100.00%	26 (***)	Media Bis Sp. z o.o.	49.00%
10	BARYS Sp. z o.o.	89.78%			
11	Radio na Fali Sp. z o.o.	100.00%			
12	Agora Poligrafia Sp. z o.o.	100.00%			
13	ROM Sp. z o.o.	100.00%			
14 (*)	Twoje Radio Sp. z o.o.	95.32%			
15	Agencja Reklamowa Jowisz Sp. z o.o.	99.12%			
16	Radio Pomoże Sp. z o.o.	100.00%			
17 (**)	The Art Marketing Syndicate S.A. Group (AMS)	99.82%			

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

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

(***) as a result of acquisition of 44% of the share capital, Bis Media Sp. z o.o. was classified as the associated company and its financials were accounted for using the equity method

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

The first consolidated statements of the Agora Group including subsidiary and associated companies in the radio business was prepared for the second quarter of 2002 (19 companies of the radio business).

From the second quarter of 2002, the financials of acquired Magazines influence Agora's financial result (the purchase of the enterprise of Proszynski i S-ka - Czasopisma Sp. z o.o. in April 2002).

In the third quarter of 2002, AMS was included into the consolidation of the Agora Group using the equity method and from the fourth quarter of 2002 AMS is fully consolidated with the financials of the Group.

To enhance comparability, the major items of the Profit and Loss Account of the Agora Group, excluding the magazine business, the AMS Group and radio related companies, are presented in part III point 3 of this MD&A.

Additionally, in part IV of this MD&A ("Operating review – major businesses of the Agora Group") we present:

- the impact that consolidation of AMS, magazines and radio related companies has on major items of the Profit and Loss Account in the first half of 2003,
- detailed information on major businesses of the Group (press, including *Gazeta Wyborcza*, free press and magazines; outdoor – the AMS Group; radio; internet).

2.PROFIT AND LOSS ACCOUNT OF THE AGORA GROUP

in PLN million	III Q 2003	III Q 2002	% change yoy	I-III Q 2003	I-III Q 2002	% change yoy
Sales	193.7	173.1	11.9%	619.9	555.9	11.5%
Operating cost	(198.8)	(166.8)	19.2%	(603.4)	(498.3)	21.1%
Operating profit (loss)	(5.1)	6.3	-	16.5	57.6	(71.3%)
Interest in net results of associates	(0.4)	(0.7)	-	(1.2)	(1.6)	-
Gain on disposal of shares in an associated company	-	-	-	0.3	0.1	130.0%
Provisions for losses on investments	(0.8)	(0.8)	-	(2.2)	(2.4)	(8.8%)
Interest and financial items	(0.4)	3.7	-	(4.9)	9.0	-
Profit (loss) before income tax	(6.7)	8.5	-	8.5	62.7	(86.5%)
Income tax	0.9	(3.4)	-	(5.6)	(11.8)	(52.6%)
Minority interests	(0.1)	(0.1)	-	(0.6)	(0.5)	-
Net profit (loss)	(5.9)	5.0	-	2.3	50.4	(95.4%)
EPS - net profit (loss) per 1 common share (PLN) in the said period	(0.10)	0.09	-	0.04	0.89	(95.4%)
EBIT	(5.1)	6.3	-	16.5	58.4	(71.8%)
EBIT margin (EBIT/ Sales)	(2.6%)	3.6%	(6.2 pp)	2.7%	10.5%	(7.8 pp)
EBITDA	26.0	35.0	(25.7%)	118.0	139.6	(15.5%)
EBITDA margin (EBITDA/ Sales)	13.4%	20.2%	(6.8 pp)	19.0%	25.1%	(6.1 pp)

In the period of January-September 2003, the new businesses, namely radio group, AMS and magazines, contributed PLN 138.6 million to the Group's revenue. Simultaneously, the new businesses decreased operating profit of the Group by PLN 26.5 million (including goodwill write-off in the amount of PLN 9.7 million and amortization of new magazine titles of PLN 4.3 million) and the net result by PLN 33.7 million (including interest expense on the loan drawn to finance the investment in AMS).

The Group has changed the amortization period for the perpetual usufruct of lands, adjusting the amortization rates to the real periods specified in the corresponding agreements. In the third quarter of 2003, the decrease of D&A in the amount of PLN 1.9 million was booked (the decrease defined as a difference between the accounted amortization according to present and previous rates).

2.1 Major products and services of the Agora Group and operating profit and cost are presented in detail in part IV hereof ("Operating review – major businesses of the Agora Group"). Additionally, to enhance comparability, operating cost of the Agora Group excluding magazines, AMS Group and radio business is presented in part III point 3 hereof.

2.2 Revenue structure of the Agora Group

As compared with 2002, changes in the Group's revenue structure result from the enlargement of the press segment due to acquisition of the magazine business, as well as from consolidation of the AMS Group.

in PLN million	I-III Q 2003	Share in total revenue of the Group in I-III Q 2003	I-III Q 2002	Share in total revenue of the Group in I-III Q 2002	% change yoy	% change yoy (pp)
A. Copy sales	166.8	26.9%	151.4	27.2%	10.1%	(0.3 pp)
incl. among others <i>Gazeta Wyborcza</i>	132.5	21.4%	132.4	23.8%	0.1%	(2.4 pp)
Magazines	34.2	5.5%	17.9	3.2%	90.9%	2.3 pp
B. Ad sales	441.5	71.2%	385.4	69.3%	14.6%	1.9 pp
incl. among others <i>Gazeta Wyborcza(1)</i>	299.4	48.3%	339.6	61.1%	(11.8%)	(22.8 pp)
Magazines	23.5	3.8%	13.3	2.4%	76.8%	1.4 pp
Outdoor (2)	85.5	13.8%	-	-	-	13.8 pp
Radio (3)	19.5	3.2%	23.9	4.3%	(18.2%)	(1.1 pp)
C. Other revenue	38.2	6.2%	22.3	4.0%	71.2%	2.2 pp
incl. Printing services (4)	21.7	3.5%	9.6	1.7%	125.7%	1.8 pp
D. Inter-group sales excluded in consolidation	(26.6)	(4.3%)	(3.2)	(0.6%)	731.5%	(3.7 pp)
incl. ads on the AMS panels	(20.8)	(3.3%)	-	-	-	(3.3 pp)
Total revenue of the Group	619.9	100.0%	555.9	100.0%	11.5%	0.0 pp

(1) sales of advertising and inserts

(2) sales of the AMS Group

(3) advertising sales of the radio related companies consolidated by means of the full consolidation method

(4) sales of printing services for external clients of Agora's plants (Bialoleka, Pila, Tychy)

Notes to data presented in the table above

Items A. and B. are not corrected for internal sales among the companies of the Agora Group.

Item C. excludes internal sales between Agora SA and Agora Poligrafia Sp. z o.o. (to maintain clarity of the revenue structure). The major revenue of Agora Poligrafia Sp. z o.o. derives from sale of printing services to Agora SA. Agora Poligrafia Sp. z o.o. uses the printing presses leased from Agora SA.

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

2.3 The provisions were set up for investment activities in associated companies in the amount of PLN 2.2 million (an increase in provisions for a loan granted to Inforadio Sp. z o.o. and decrease in provision for contingent liabilities resulting from a guarantee granted to Inforadio Sp. z o.o.).

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

The result on short-term financial investments (securities, bank deposits) amounted to PLN 2.6 million in the period of January-September 2003.

Financial cost (incl. interest) resulting from the bank loans amounted to PLN 7.5 million.

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

in PLN million	III Q 2003	III Q 2002	% change yoy	I-III Q 2003	I-III Q 2002	% change yoy
Sales	150.6	153.7	(2.0%)	481.3	503.7	(4.4%)
Total operating cost before D&A	(122.3)	(119.6)	2.2%	(364.9)	(369.9)	(1.4%)
incl. raw materials and energy	(34.5)	(38.9)	(11.6%)	(110.8)	(121.8)	(9.1%)
incl. staff cost	(44.9)	(45.2)	(0.7%)	(135.6)	(137.2)	(1.1%)
incl. other operating cost	(42.9)	(35.4)	20.9%	(118.5)	(110.9)	6.7%
D&A	(21.7)	(24.9)	(12.9%)	(73.4)	(74.6)	(1.5%)
Operating profit (loss)	6.6	9.1	(27.0%)	43.0	59.2	(27.3%)
Profit (loss) before income tax	4.6	12.0	(61.9%)	37.8	71.1	(46.8%)
Net profit (loss)	3.9	8.6	(54.2%)	29.2	61.5	(52.6%)
EPS – net profit per 1 common share (PLN)	0.07	0.15	(54.2%)	0.51	1.08	(52.6%)
EBIT	6.6	9.1	(26.9%)	43.0	59.8	(28.1%)
EBIT margin (EBITDA/ Sales)	4.4%	5.9%	(1.5 pp)	8.9%	11.9%	(3.0 pp)
EBITDA	28.4	34.0	(16.6%)	116.4	134.4	(13.3%)
EBITDA margin (EBITDA/ Sales)	18.8%	22.2%	(3.4 pp)	24.2%	26.7%	(2.5 pp)
Full-time employment at the end of the period	3,079	3,109	(1.0%)	3,079	3,109	(1.0%)

Raw materials and energy

In the period of January-September 2003, the newsprint cost of *Gazeta Wyborcza* (purchased by Agora) accounted for 64.3% of total cost of materials and energy. It is worth underlining that the cost of materials and energy would decrease more if it weren't for the substantial increase in revenue from services rendered by the Group's printing plants to third parties and the related increase in usage of raw materials and energy (the revenue amounted to PLN 21.7 million and grew by 125.7%).

Staff cost

In the period of January-September 2003, an average employment in the Agora Group was 2.4% lower yoy. The payroll amounted to PLN 112.6 million (decreased by 1.1% yoy).

D&A

The main reasons for the decrease in D&A in the third quarter of 2003 compared to the third quarter of 2002, are the following: (i) finishing of the two-year period of the amortization of intangible assets in the Internet segment and (ii) booking the decrease in perpetual usufruct of lands in the third quarter of 2003 (adjusting the amortization rates to the real periods set in the corresponding agreements).

Other operating cost

Major items in this category of cost include: advertising and representation expenses (PLN 32.4 million), external printing of *Gazeta Wyborcza* (PLN 22.6 million), IT services (PLN 6.7 million), telecommunications (PLN 7.3 million), newspaper transportation services (PLN 5.2 million), rents (PLN 4.6 million) and legal services (PLN 4.4 million).

Other operating cost include also the net amount of set up and released provisions for bad debts. In the period of January-September 2003, the net cost on the above amounted to PLN 2.8 million (versus PLN 3.6 million of net revenue in the corresponding period of 2002).

In the third quarter of 2003, the increase in other operating costs results mainly from:

- (i) the PLN 6.5 million increase (102.1%) in ad spending,
- (ii) the PLN 5.2 million increase (121.9%) in outsourced printing services for *Gazeta Wyborcza* (as of March 2003, printing and newsprint have been provided by the external plants for *Gazeta Wyborcza* – previously, the newsprint was supplied by Agora).

4. BALANCE SHEET OF THE AGORA GROUP

in PLN million	30/09/2003	30/09/2002	% change yoy	30/06/2003	% change 30/09/2003 vs. 30/06/2003
TOTAL ASSETS	1,381.0	1,201.4	14.9%	1,393.5	(0.9%)
Fixed assets	1,126.9	1,001.3	12.5%	1,152.1	(2.2%)
Share in balance sheet total	81.6%	83.3%	(1.7 pp)	82.7%	(1.1 pp)
Current assets	254.1	200.1	27.0%	241.4	5.3%
Share in balance sheet total	18.4%	16.7%	1.7 pp	17.3%	1.1 pp
TOTAL LIABILITIES	1,381.0	1,201.4	14.9%	1,393.5	(0.9%)
Equity	1,065.4	1,063.8	0.1%	1,071.3	(0.6%)
Share in balance sheet total	77.1%	88.5%	(11.4 pp)	76.9%	0.2 pp
Minority interests	1.0	1.0	1.0%	1.0	6.6%
Share in balance sheet total	0.1%	0.1%	0.0 pp	0.1%	0.0 pp
Long term liabilities. Provisions	170.6	39.3	333.6%	182.2	(6.4%)
Share in balance sheet total	12.4%	3.3%	9.1 pp	13.1%	(0.7 pp)
Current liabilities	144.0	97.3	48.1%	139.0	3.6%
Share in balance sheet total	10.4%	8.1%	2.3 pp	9.9%	0.5 pp

4.1 Fixed assets

As for September 30, 2003, an increase in fixed assets by PLN 125.6 million (against September 30, 2002 status) resulted mainly from capital investment in AMS. Net goodwill on consolidation of the AMS Group as for September 30, 2003 amounted to PLN 156.6 million (amortized for the period of 20 years ending in 2022).

Agora SA acquired the magazine titles following the purchase of assets and liabilities of Proszynski i S-ka - Czasopisma Sp. z o.o. (April 2002) and publishing rights to four motorbike magazines (October 2002). As at September 30, 2003, their net book value amounted to PLN 79.3 million.

Net goodwill on acquired magazines as at September 30, 2003, amounted to PLN 2.8 million (amortized for the period of 10 years ending 2012).

As at September 30, 2003, net goodwill on consolidation of subsidiary and associated companies of the radio business amounted to PLN 26.2 million (amortized for the period of 10 years ending 2013).

As at September 30, 2003, net goodwill on inclusion of City Magazine Sp. z o.o. to Agora (October 31, 2002) amounted to PLN 2.2 million (amortized for the period of 10 years ending 2012).

4.2 Current assets

As at September 30, 2003, the balance of cash and short-term securities grew by PLN 11.4 million yoy and amounted to PLN 90.6 million.

As at September 30, 2003, the balance of assets resulting from valuation of embedded financial derivatives amounted to PLN 6.1 million.

The increase in trade receivables (versus September 30, 2002 status) results chiefly from the consolidation of the AMS Group.

4.3 Long-term liabilities and provisions

As at September 30, 2003 compared to September 30, 2002, provisions and accrued liabilities grew by PLN 17.9 million (the provision for deferred tax grew by PLN 13.8 million).

The increase in provision for deferred tax results – among others – from booking the provision for deferred tax in compliance with effective law as at June 30, 2002 (rates set at 24% for 2003 and 22% for 2004). As at September 30, 2003 the provision for deferred tax was calculated on the basis of a 27% tax rate. If the CIT rate is lowered to 19% as of January 2004, in line with the government indications, the provision for deferred income tax will be much lower as at December 31, 2003.

As at the end of third quarter of 2003, Agora SA drew a PLN 139.5 million tranche out of its credit line. The resources were devoted to the acquisition of AMS SA shares and its further financing. As at September 30, 2003, a total of PLN 26.2 million of the above amount was booked as short-term liabilities and PLN 113.3 million as long-term ones.

4.4 Short-term liabilities

As at September 30, 2003, short-term liabilities increased by PLN 46.7 million yoy.

As at September 30, 2003, the short-term portion of the long-term debt of PLN 139.5 million drawn to finance the acquisition of AMS amounted to PLN 26.2 million.

In addition, the increase in short-term liabilities as of September 30, 2003 in comparison with September 30, 2002, results from consolidation of bank loans (total balance of PLN 4.1 million) and other short-term liabilities of the AMS Group (PLN 27.3 million).

5. CASH FLOW STATEMENT OF THE AGORA GROUP

In PLN million	III Q 2003	III Q 2002	% change yoy	I-III Q 2003	I-III Q 2002	% change yoy
Net cash from operating activities	29.0	45.1	(35.8%)	98.4	139.5	(29.4%)
Net cash from investment activities	(1.8)	(71.6)	(97.5%)	(34.3)	(199.7)	(82.8%)
Net cash from financing activities	(4.2)	(0.0)	-	(29.7)	(1.8)	1,562.1%
Total movement of cash and cash equivalents	23.0	(26.5)	-	34.4	(62.0)	-
Cash at the end of the period (*)	85.5	75.8	12.8%	85.5	75.8	12.8%

(*) *excluding short-term securities*

At the end of September 2003, the Agora Group had PLN 85.5 million of cash (cash at hand, bank accounts) and PLN 5.1 million in short-term securities.

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

5.1 Net cash flow from operating activities for the period January-September 2003 includes, among others, payments from former majority shareholders of AMS S.A. stipulated in the agreement between these shareholders and Agora SA concerning a sale of receivables by AMS S.A. (PLN 8.1 million) to BB Investment, as well as AMS S.A. revenue (net PLN 6.9 million) derived from advertising services sold to BB Investment by virtue of the said agreement. Additionally, in the first quarter of 2003 AMS S.A. repaid a PLN 8.5 million of its trade liabilities (the decrease in trade liabilities by the said amount).

5.2 Net cash flow from investment activities in the said period includes: expenditure on the tangible fixed assets in the amount of PLN 28.7 million and on short-term securities (PLN 3.7 million). Inflow from investment activities includes the payment from the former majority shareholders of AMS S.A. in the amount of PLN 10 million made to AMS S.A., resulting from the referred herein agreement between these shareholders and Agora SA, concerning the compensation for loss on investment in IDM Serwis Sp. z o.o.

5.3 Net cash flow from financing activities in the period of January-September 2003 includes:

- PLN 1.0 million paid by the subsidiary company IM 40 Sp. z o.o. as minority shareholders' share in the dividend;
- PLN 7.3 million of interest expense on loans and commercial papers;
- PLN 9.0 million as repurchase of bonds by AMS S.A.;
- repayment of the principal of bank loans in the amount of PLN 15.0 million (incl. PLN 14.9 million by AMS S.A.);
- drawing a bank loan by AMS S.A. in the amount of PLN 2.6 million.

IV. OPERATING REVIEW – MAJOR BUSINESSES OF THE AGORA GROUP

IV.A. PRESS

1. THE RESULTS OF THE PRESS

As of the second quarter of 2002, the press segment of Agora S.A expanded by the acquisition of magazine business. The results of the Magazines have been presented in further part of this report.

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

in PLN million	III Q 2003	III Q 2002	% change yoy	I-III Q 2003	I-III Q 2002	% change yoy
Total revenue	147.1	151.8	(3.1%)	472.0	498.5	(5.3%)
incl. copy sales	43.2	41.1	5.1%	132.6	133.5	(0.7%)
incl. ad revenue	92.6	102.7	(9.9%)	305.6	344.6	(11.3%)

Total operating cost	(133.1)	(131.2)	1.5%	(403.9)	(403.3)	0.1%
Raw materials and energy	(34.4)	(38.8)	(11.4%)	(110.7)	(120.6)	(8.3%)
incl. newsprint for <i>Gazeta Wyborcza</i> purchased by Agora	(21.6)	(27.7)	(21.8%)	(71.3)	(87.1)	(18.2%)
Staff cost	(42.6)	(42.6)	0.3%	(128.4)	(128.5)	(0.1%)
incl. payroll	(36.1)	(36.0)	0.3%	(106.7)	(106.8)	(0.1%)
D&A	(16.7)	(18.6)	(10.3%)	(55.8)	(57.0)	(2.0%)
Other operating cost	(39.4)	(31.2)	26.3%	(109.0)	(97.2)	12.2%
incl. ad cost	(12.6)	(4.8)	163.0%	(30.5)	(20.8)	46.6%
incl. outsourced printing services	(9.4)	(4.2)	121.9%	(22.6)	(13.7)	64.4%
Total operating cost (excluding D&A)	(116.4)	(112.6)	3.4%	(348.1)	(346.3)	0.5%
Full-time employment at the end of the period	2,984	2,996	(0.4%)	2,984	2,996	(0.4%)
EBIT	14.0	20.6	(32.0%)	68.1	95.9	(29.0%)
EBIT margin	9.5%	13.6%	(4.1 pp)	14.4%	19.2%	(4.8 pp)
EBITDA	30.7	39.2	(21.7%)	123.9	152.8	(18.9%)
EBITDA margin	20.9%	25.9%	(5.0 pp)	26.3%	30.7%	(4.4 pp)

2. GAZETA WYBORCZA

In the period of January-September 2003, revenue generated by *Gazeta Wyborcza* (copy sales, advertising and inserts) accounted for 69.7% of the Agora Group's revenue.

2.1 REVENUE

Copy sales

In the period of January-August 2003, (audited data on copy sales of dailies for September 2003 are not yet available), *Gazeta Wyborcza's* share in copy sales of all dailies market reached 17.7% (dailies registered with ZKDP) and recorded a 0.6 pp increase yoy. In the market of all general interest daily papers (*Gazeta Wyborcza*, *Super Express*, *Rzeczpospolita i Trybuna*) *Gazeta's* share stood at 45.7% and increased by 3 pp yoy.

In the period of January-September 2003, average daily copy sales of *Gazeta Wyborcza* amounted to 413 thousand and was 2.6% lower than in the corresponding period of 2002.

Gazeta continues to be a leader in the paid dailies readership market. In spite of a slight decline in the number of copies sold in the period of January-September 2003, the newspaper's readership remained stable yoy. In the said period of 2003, the weekly readership of *Gazeta Wyborcza* reached 18.4% which corresponds to 5.5 million readers (source: PBC General surveys carried out by SMG/KRC A MILLWARD BROWN COMPANY, CCS ratio – the seasonal cycle readership) and its readership reach among readers of all paid dailies amounted to 29.8%.

In the third quarter of 2003, *Gazeta Wyborcza* introduced many changes to its layout and formula to satisfy readers and in anticipation of the growing market competition. A new supplement of *GW* – *Gazeta w Kratke* (Crossword puzzles) with crosswords and logical puzzles has been published on Fridays since the beginning of the summer holidays. The cover of Saturday's supplement *High Heels* (as of August 2003), as well as the cover of *TV Guide* (as of September 2003) received better quality paper. The marketing activities started at the end of summer holidays until end of September, include: more attractive layout of *GW*, adding the Thursday's supplement *Color Magazine* to Monday's issues and replacing *Gazeta Auto-Moto* by a new magazine for men titled *Wysokie Obroty* (High Gear).

In the period January-September 2003, *Gazeta's* revenue from copy sales amounted to PLN 132.5 million (up 0.1% yoy).

Advertising sales

In the period January-September 2003, the advertising expenditure in the paid daily press recorded a 10.4% decline (in the third quarter of 2003 by 9.6% yoy), while *Gazeta's* share in the paid dailies advertising market fell by 1.2 pp to 46.9%. *Gazeta's* share in the national advertising market fell to 62.3% (2.0 pp down), in the Warsaw advertising market decreased by 3.6 pp to 81.6% and in other local markets increased by 0.9 pp to 28.2%.

Total advertising sales of *Gazeta Wyborcza* fell by 11.2% and reached PLN 290.4 million in the period January-September 2003 (incl. PLN 131.7 million from national ads, PLN 68.8 million from Warsaw ads, and PLN 89.9 million from local ads). In the third quarter of 2003, total advertising sales of *Gazeta Wyborcza* fell by 9.5% yoy and reached PLN 88.1 million.

Gazeta's average net revenue per ad page was PLN 5.1 thousand. The share of ad pages in the total pagecount reached 43.9% and the average number of ad pages published per day in local and national editions amounted to 248.9 (down 0.1% yoy).

Revenue from *Gazeta's* inserts in the period January-September 2003 fell by 28.2% and was PLN 9.0 million.

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

In the period of January-September 2003, *Gazeta's* production volume in pages decreased by 2.3% yoy (a total of 13.4 billion pages were printed).

Production materials (mainly newsprint purchased by Agora) and external printing services are exposed to the foreign exchange risk (EUR appreciation vis a vis PLN). In the period of January-September 2003, an average EUR/PLN exchange rate grew by about 13.7% yoy (in the third quarter of 2003 – by 8.5% yoy).

Cost of newsprint purchased by Agora for the production of *Gazeta Wyborcza* amounted to PLN 71.3 million and despite a significant EUR appreciation against PLN, was 18.2% lower than in the corresponding period of 2002.

This decline was caused by the following reasons:

- (i) a 13.2% decrease of newsprint usage in tons resulting from the fact that Agora stopped buying newsprint for products printed in external printing plants (as of March 2003, printing and newsprint for *Gazeta Wyborcza* have been provided by the external plants – previously the newsprint was supplied by Agora);
- (ii) a significant decrease in the price of newsprint denominated in EUR (an average price per ton in the said period expressed in EUR fell by about 17% yoy).

Newsprint used for in-house needs is imported from several European countries and from several suppliers. Such diversification of suppliers allows for better flexibility and continuity of supplies and gives grounds for better position in negotiations.

In-house printing cost (*) of *Gazeta* (Bialoleka, Pila, Agora Poligrafia) reached PLN 66.3 million in the period January-September 2003, 83.3% of which was fixed cost.

In the period January-September 2003, a total of 12.1 billion pages were printed internally (down 0.2% yoy).

In-house printing cost of <i>GW</i> (*) in PLN million	III Q 2003	III Q 2002	% change yoy	I-III Q 2003	I-III Q 2002	% change yoy
Total fixed cost	17.9	17.6	1.9%	55.2	55.8	(0.9%)
incl. D&A	10.1	9.2	10.6%	30.4	29.0	5.0%
Variable cost (*)	3.7	3.2	17.6%	11.1	9.3	18.1%
TOTAL fixed and variable costs	21.6	20.8	4.3%	66.3	65.1	1.8%

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

An increase in D&A in the period of January-September 2003 results from putting in use printing presses and other printing equipment in October 2002.

An increase in variable cost (mainly production materials) results chiefly from higher EUR/PLN exchange rate.

Outsourced printing services provided to *Gazeta*.

Agora outsources heat-set printing (among others, *High Heels*, *Color Magazine*, cover of the *TV Guide*). In the period of January-September 2003, a total of 1.3 billion pages were printed externally (18.7% less than in the corresponding period of 2002), which accounted for 9.5% of the total production volume. This drop in volume of the outsourced production results primarily from changing of the format of the *TV Guide* (as of October 4, 2002) and transferring production of *The Cartoons* supplement to Agora's own plant (as of September 20, 2002).

As of March 2003, external printing plants provided *Gazeta* with printing services, as well as newsprint (previously the newsprint was supplied by Agora). As a result, from the second quarter of 2003 an increase in the cost of printing services in external plants is recorded (printing and newsprint provided by the external plant).

Cost of external printing of *Gazeta* amounted to PLN 22.6 million in the period of January-September 2003 (up 64.4% yoy) and PLN 9.4 million in the third quarter of 2003 (up 121.9% yoy).

In the period January-September 2003, a total cost of newsprint, external printing services and in-house printing ex. D&A related to *Gazeta Wyborcza* amounted to PLN 129.7 million and was lower by 5.3% yoy.

3. FREE PRESS

On July 16, 2003, the President of the Office for Competition and Consumer Protection (UOKiK) passed a decision concerning an agreement signed in June 2001 between the City of Warsaw and TPP Sp. z o.o. (the publisher of Warsaw daily *Metropol*). The agreement regulated publishing and distribution of free daily press in the Warsaw public transport network. The City committed itself not to sign any similar agreement with other publishers for the period of 10 years (exclusivity for a period of 10 years).

By virtue of the investigation conducted at Agora's request, the President of UOKiK resolved that since the agreement induces the practice of unfair competition and it should be abandoned with the order of immediate enforceability. This means that TPP Sp. z o.o. lost exclusive rights to distribute papers through containers located at bus stops and subway stations.

Simultaneously, the City of Warsaw and TPP Sp. z o.o. were charged with fines in the amount of PLN 16 thousand and PLN 400 thousand, respectively. The said decision is not yet legally binding.

3.1 Metro

The free newspaper *Metro* is distributed in two Polish cities: twice a week in Warsaw and once a week in Katowice. An average daily circulation in September 2003 was at the level of 150 thousand copies in Warsaw and 75 thousand in Katowice.

In the period of January-September 2003, *Metro's* share in the Warsaw free press market increased by 7.0 pp yoy to 26.3% (up 0.9 pp yoy to 24.6% in the third quarter of 2003).

In the period of January-September 2003, the revenue of *Metro* reached PLN 2.7 million and was higher than the total cost of production materials, distribution and editorial, which amounted to PLN 2.1 million.

A number of changes have been introduced to *Metro* as part of a series of marketing activities, as well as in order to improve the paper's standing against competition on the daily press market. Since October 22, 2003, *Metro* in Warsaw has been published 6 times a week with a circulation of 130-220 thousand copies. It received a new more attractive layout and a formula of so called *light paper*. It is to serve the readers who want quick access to national and international headlines.

3.2 Other free press

On Sundays have been distributed:

- since April 2002 – *A Week in Bydgoszcz* with an average circulation of 15,000 copies,
- since March 2003 – *A Week in Torun* with an average circulation of 12,300 copies,
- since April 2003 – *A Week in Bialystok* with an average circulation of 12,000 copies.

Since October 19, 2003, *A Week in Trojmiasto* has been distributed in Gdansk.

In the said period of 2003, revenue from publishing other free press was higher than the total cost of production materials, distribution and editorial.

4. THE MAGAZINES

In the period of January-September 2003, the magazine advertising market increased by 3.1% yoy (up 4.4% in the third quarter of 2003 yoy). The share of Agora's magazines in the national magazine advertising market (excluding the *City Magazine* free monthlies) stood at the level of 4.9% (in the third quarter of 2003 at the level of 5.0%).

The magazines attracted 5.1 million readers which corresponds to 21% readership reach among readers of national magazines in Poland in the period January-September 2003 (source: PBC General surveys, performed by SMG/KRC Poland Media S.A., CCS ratio – the seasonal cycle readership).

As the Magazines were incorporated to the Agora Group in mid-April of 2002 with the purchase of the enterprise of Proszynski i S-ka - Czasopisma Sp. z o.o., the figures for the first nine months of 2003 are incomparable to the data for the corresponding period of 2002.

THE RESULTS OF THE MAGAZINES

in PLN million

	III Q 2003	III Q 2002	% change yoy	I-III Q 2003
Total revenue	20.0	13.0	53.7%	57.8
incl. copy sales	12.3	7.2	69.8%	34.2
incl. advertising revenue	7.7	5.6	35.8%	23.5
Operating cost before marketing	(16.8)	(12.9)	30.3%	(49.2)
Printing services (*)	(8.2)	(5.1)	59.5%	(23.4)
Staff cost	(4.7)	(3.6)	31.2%	(14.1)
D&A(**)	(1.7)	(1.4)	18.9%	(5.0)
Others	(2.2)	(2.8)	(19.6%)	(6.7)
Full-time employment at the end of the period	224	192	16.7%	224
Average monthly circulation [million copies] (total circulation of all titles)	1.9	1.4	36.6%	1.9

(*) the Magazines are printed externally (printing services include the purchase of paper)

(**) the amortization of the acquired publishing rights to the magazine titles amounted to PLN 4.3 million for 9 months of 2003

Total operating profit before marketing	3.2	0.1	2,617.0%	8.6
External marketing cost	5.3	0.5	945.1%	16.1
Inter-group marketing cost	5.4	0.0	-	9.5
EBIT	(7.5)	(0.4)	-	(17.0)
EBIT margin	(37.4%)	(3.0%)	(34.4 pp)	(29.5%)
EBITDA	(5.8)	1.0	-	(12.0)
EBITDA margin	(29.1%)	7.7%	(36.8 pp)	(20.9%)

In the third quarter of 2003, the Magazines continued the strategy of building their readership position. Hence the significant increase in marketing and promotion cost. The promotion is supported by an intensive advertising campaign in television and media belonging to the Agora Group (outdoor - AMS's panels, *Gazeta Wyborcza*, the *gazeta.pl* portal and magazines) as well as outdoor shows.

Attaching free gifts effectively promotes readership of the magazines. The July's issue of *Poradnik Domowy* accompanied by a shirt, reached record sales of 653 thousand copies. Since January 2000, *Poradnik Domowy* sold so well only once – in December 2001. August's *Cztery Katy* also reached the best sales in the last five years (176 thousand copies sold) due to a DVD with the cult Polish movie *Rejs*.

In the third quarter of 2003, many special editions of the magazines were published:

Elementarz Gotowania (Cookery Book) – special edition of *Poradnik Domowy*,

Ciepło w Twoim Domu (Warm House), *Dom dla Ciebie* (House for You) – special editions of *Ladny Dom* (House Beautiful),

Harley-Davidson – 100 lat legendy (Harley-Davidson – A One Hundred Years of the Legend) – special edition of *Swiat Motocykli* (Moped World),

Ogrodzenia (Fences) and *Rosliny dla Zdrowia i Urody* (Plants for Health and Beauty) – special editions of *Kwiatnik* (Flower and Garden),

Florystyka Zalobna (Mournful Flower Arrangements) – special edition of *Bukiety* (Bouquets),

Zaginione Cywilizacje (Lost Civilizations) – special edition of *Wiedza i Zycie* (Science and Life).

Special editions work as a market research tool and provide the managers with information that helps them make decisions on new publications.

As at September 2003, *Swiat Motocykli* (Moped World) received new layout, bigger format as well as higher pagecount.

City Magazine (free monthly distributed in 7 cities in Poland) went ahead the students' needs and at the beginning of the academic year published extra edition titled *Campus*.

IV.B. AMS

In the third quarter of 2002, Agora SA began the process of acquiring AMS S.A. Until September 30, 2002, the shares purchased by Agora SA constituted 16.63% of AMS share capital.

In the fourth quarter of 2002, Agora SA increased its stake in AMS S.A. share capital to 99.48%, As a consequence, from the fourth quarter of 2002, the financial results of the AMS Group are consolidated with the Agora Group by means of the full method.

As at September 30, 2003, Agora's stake in AMS S.A. share capital reached 99.82%, which enabled it to execute 99.85% of votes at the General Meeting of Shareholders of the company.

In the third quarter of 2003, Agora SA granted a loan to AMS S.A. in the amount of PLN 5 million. Agora informed about granting the loan in the current report dated September 2, 2003. As at September 30, 2003, the debt due to Agora SA, concerning received loans amounted to PLN 35.1 million plus interest. In October 2003, Agora granted another loan to AMS in the amount of PLN 5 million and the total balance increased to PLN 40.1 million plus interest.

1. THE IMPACT OF THE CONSOLIDATION OF THE AMS GROUP ON THE MAJOR ITEMS OF THE PROFIT AND LOSS ACCOUNT

in PLN million	I-III Q 2003	I-III Q 2002
Sales	65.3	0.0
Operating profit (loss)	(3.6)	(0.04)
Profit on financial activities	(1.1)	(0.62)
Profit (loss) before income tax	(4.7)	(0.7)
Income tax	(0.6)	(0.0)
Minority interests	(0.06)	(0.0)
Net profit (loss)	(5.4)	(0.7)

The table above provides information on the differences between the consolidation of the Agora Group and pro forma consolidation of the Group excluding AMS Group.

As at September 30, 2002, AMS was included as Agora's associated company, and the AMS investment was accounted for using the equity method. The Group's result for the third quarter of 2002 included, therefore, its share in AMS loss for the period between the day of acquisition and September 30, 2002 (minus PLN 0.6 million). The Balance Sheet as at September 30, 2002 included also goodwill resulting from the purchase of the above AMS shares, which amounted to PLN 9.3 million.

2. THE RESULTS OF THE AMS GROUP

(Art Marketing Syndicate S.A., Adpol Sp. z o.o., Akcent Media Sp. z o.o.)

Estimated outdoor market data and AMS share in the outdoor market referred herein are based on rate card data of MEDIA WATCH monitoring 2003 (distribution, copying and reproduction possible only under the permission of Media Watch, tel. +48 71 341 47 11) and cover 12 largest agglomerations.

In the period of January-September 2003, the outdoor market grew by 1.3% yoy. The estimated share of AMS in the outdoor market fell by 1.4 pp to 27%. The data does not include campaigns carried out in smaller cities (outside the 12 largest agglomerations), where AMS is a leader.

PROFIT AND LOSS ACCOUNT OF THE AMS GROUP

in PLN million	III Q 2003	III Q 2002	% change yoy	I-III Q 2003	I-III Q 2002	% change yoy
Sales	30.7	24.0	27.7%	86.3	75.2	14.8%
incl. ad sales	30.3	23.6	28.6%	85.5	73.7	16.1%
Operating cost	(30.6)	(40.7)	(24.8%)	(84.3)	(118.6)	(28.9%)
Raw materials and energy	(1.4)	(1.1)	23.4%	(4.1)	(4.1)	(1.0%)
Staff cost	(3.8)	(4.6)	(17.9%)	(11.2)	(13.7)	(18.4%)
D&A	(5.1)	(5.0)	2.0%	(14.9)	(15.2)	(2.0%)
Other cost (*)	(20.3)	(30.0)	(32.3%)	(54.1)	(85.6)	(36.8%)
incl. rental fees for outdoor panels	(11.3)	(12.7)	(10.7%)	(35.6)	(37.0)	(3.7%)
Operating profit (loss)	0.1	(16.8)	-	2.2	(43.3)	-
Result from financial activity	0.1	(2.9)	-	(2.1)	(11.6)	-
incl. evaluation of embedded derivatives	0.9	0.0	-	1.2	(3.8)	-
Profit (loss) before income tax	0.2	(19.6)	-	0.1	(54.7)	-
Net profit (loss)	(0.1)	(19.4)	-	(0.5)	(55.1)	-
EBIT	0.1	(16.8)	-	2.2	(43.3)	-
EBIT margin (EBIT/ Sales)	0.4%	(69.8%)	70.4 pp	2.5%	(57.6%)	60.1 pp
EBITDA	4.6	(12.4)	-	15.4	(29.7)	-
EBITDA margin (EBITDA/ Sales)	15.1%	(51.7%)	66.8 pp	17.8%	(39.5%)	57.3 pp
Full time employment at the end of the period	331	353	(6.2%)	331	353	(6.2%)
Number of advertising faces (**)	23,232	23,357	(0.5%)	23,232	23,357	(0.5%)

(*) important cost categories in the period of January-September 2003 are among others: rental fees for outdoor panels (PLN 35.6 million), cost of execution of advertising campaigns (PLN 9.3 million) and panels' renovation and exploitation cost (PLN 5.9 million)

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

An improvement in the financials of the AMS Group in 2003 compared to 2002 is the effect of restructuring measures (incl. staff cuts, reducing the size of the panels network, renegotiations of the rental fees and cost of execution of advertising campaigns).

The increase in revenue in the period of January-September 2003 resulted chiefly from:

- PLN 21.0 million revenue from the advertising campaigns for the companies in which Agora SA holds stakes (including PLN 20.8 million for the companies consolidated by means of the full consolidation method);
- PLN 4.9 million advertising revenue from the former majority shareholder of AMS S.A. (pursuant to the provisions of the agreement on the sale of AMS shares), received in full in the first quarter of 2003.

A new trade policy introduced in 2003 (incl. new price policy, sales team reorganization, revision of the client service standards) has generated better sales. The latest sale results (especially sales in September 2003) make us assume that revenue goals planned for 2003 will be reached.

It is worth underlining that the said improvement in the financial results and margins (EBIT/EBITDA) visible in the said period of 2003 results partly from revenue gained in the first quarter of 2003 for granting access to the panel system to the former majority shareholder of AMS, which was part of the agreement signed in 2002 and which did not - in most cases - involve any additional costs of the campaign. This revenue and lack of related cost were one-off hence influenced the financial results of AMS only in the first quarter of 2003.

In the third quarter of 2003, AMS continued to improve technical quality of panels. By the end of September 2003, the company completed the works on improved lighting and poster installation on the exclusive backlight panels (6x3 m) systems. The renovation process is being completed in Warsaw, still the works continue in other Polish cities.

AMS continues further development of the sophisticated backlight panel system (6x3m). In October 2003, after a few months of negotiations, AMS acquired shares constituting 100% share capital of Media System Sp. z o.o. Europlakat Group (the owner of 99 backlight faces located mainly in Warsaw). By means of the acquisition, AMS increased its stake in this segment of the outdoor market to over 95% (948 faces in Poland, including 345 faces in Warsaw).

IV.C. RADIO

As for the end of the third quarter of 2003, Agora SA held stakes in 24 companies of radio business in Poland (4-100% of share capital), which control in 28 local radio stations (26 broadcasting their programs) and the superregional radio station *TOK FM*.

The development of the radio group is one of the elements in Agora's growth strategy. Therefore, Agora actively expands its local radio group by acquiring new stations (Agora's portfolio grew by 2 new local radio stations vs. September 2002 status). Agora guarantees financing for the radio companies which have not reached profitability yet.

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

The first consolidated statements of the Agora Group including subsidiary and associated companies of the radio business was prepared for the second quarter of 2002 (19 companies of the radio business).

In the third quarter of 2003, 23 radio related companies were included in the consolidation (the list of companies and Agora's stake in their respective share capital was presented in part III point 1 of this report). As at September 30, 2003 of all the companies operating in the radio business only Regionalne Przedsiębiorstwo Związkowe Sp. z o.o. is not consolidated as it is immaterial from the perspective of the accounting standards (Agora owns 4% of shares in the said company).

The influence of inclusion of 23 radio related companies in consolidation on the major items of the Profit and Loss Account of the Agora Group

in PLN million	I-III Q 2003	I-III Q 2002
Sales	15.5	20.7
Operating profit (loss)	(5.9)	(3.0)
Interest in net results of associates	(1.2)	(1.0)
Profit on financial activity	(0.5)	(5.1)
Profit (loss) before income tax	(7.6)	(9.1)
Income tax	(0.9)	(1.3)
Minority interests	(0.5)	(0.6)
Net profit (loss)	(9.0)	(11.0)

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

In sum, taking into account:

- the influence of consolidation of 23 radio related companies,
 - the cost of the Radio division which supervises the radio stations,
 - operating profits and cost of Agora SA referring to unconsolidated companies of the radio business,
- the radio operations lowered the Group's net result by PLN 11.6 million for the first 9 months of 2003.

2. THE RESULTS OF RADIO STATIONS

Local radio stations

Audience market data referred herein are based on Radio Track surveys, carried out by SMG/KRC A MILLWARD BROWN COMPANY for the selected periods: January-September 2003 and January-September 2002, all places, all days and all quarters of an hour of listening.

In the period January-September 2003, the national radio stations, which offer more flexible rates, strengthened their position in the market (in both advertising and audience) at the expense of local radio market, including Agora's stations. Although the share of Agora's radio stations in the advertising market of local radio stations increased by 2.9 pp yoy and reached 33.2%, their share in the total radio advertising market decreased by 1.0 pp yoy to 10.5%.

Also, the share of Agora's local radio group in the audience market (in the target group of 20-50 years old, solely local markets Agora's stations are present in) decreased by 2.0 pp yoy to 13.2%.

Despite the said declines the local radio stations group maintained its position of the third largest radio player in the audience and advertising market in Poland, after *RMF FM* and *Radio Zet*.

The management of the radio division is working on the project aimed at restructuring of the group. The steps they undertake are intended to reverse the trend in Agora's share decline in radio audience and advertising market, as well as optimize the operating cost. The positive effects of the undertaken measures shall be visible from the next year on.

The data presented below show the sum of financials of local radio stations operated by 23 radio companies in which Agora owns shares (the financials of the stations based in Poznan have been consolidated pro forma due to the specificity of their business activity).

Agora's local radio stations Group (*) in PLN million	III Q 2003	III Q 2002	% change yoy	I-III Q 2003	I-III Q 2002	% change yoy
Total revenue of the Group	8.9	10.3	(14.2%)	29.1	30.2	(3.7%)
incl. ad sales	8.2	9.7	(16.2%)	27.0	28.5	(5.1%)
Operating cost	(12.1)	(14.0)	(14.1%)	(37.7)	(36.6)	3.0%
incl. advertising and representation	(0.8)	(1.2)	(30.4%)	(3.9)	(4.5)	(12.1%)
incl. D&A	(0.5)	(0.6)	(13.1%)	(1.8)	(1.7)	2.9%
incl. staff cost	(6.1)	(6.7)	(9.8%)	(18.2)	(16.1)	13.0%
Profit (loss) on operating activity	(3.2)	(3.7)	-	(8.6)	(6.4)	-
Net profit	(4.4)	(4.6)	-	(12.5)	(9.4)	-
EBITDA	(2.7)	(3.1)	-	(6.9)	(4.2)	-
EBITDA margin	(29.9%)	(29.7%)	(0.2 pp)	(23.6%)	(14.0%)	(9.6 pp)
Full-time employment at the end of the period	408	404	0.9%	408	404	0.9%

(*) In September 2003, Agora's portfolio of radio stations extended by 2 new local stations (versus September 2002).

On June 11, 2003, Twoje Radio Sp. z o.o. with its seat in Walbrzych received a license to broadcast the radio program named *Twoje Radio 106.2 FM ZLOTE PRZEBOJE*.

On July 17, 2003, the Broadcast Council refused to renew the license for the radio program named *ROCK Radio 93.6 FM* operating in Katowice. On September 13, 2003, the radio station turned off its transmitters. The company will appeal against the decision.

Also, the Broadcast Council renewed the licenses for radio stations: *Trefl Sopot, Klasyka Warszawa, Pogoda Warszawa*.

Superregional radio station TOK FM

Agora SA holds shares (constituting 41.6% of the share capital) of Inforadio Sp z o.o., which is the owner of superregional radio station *TOK FM*. In the period January-September of 2003, net revenue amounted to PLN 1.1 million (incl. ad revenue – 96.7% of the amount), EBITDA was negative PLN 1.4 million and net loss amounted to PLN 4.3 million.

In October 2003, Inforadio Sp z o.o. received broadcasting license for the next 7 years. This decision gave way to further works on the new formula of *TOK FM*. In future, the introduced measures shall result in a higher share in the audience market, higher revenue and better financial standing of the company.

IV.D. INTERNET

In the period of January-September 2003, the number of unique users visiting *Gazeta.pl portal* increased by 77% yoy (source: internal data, the NetTracker Sane Solutions LCC system), while the penetration of the internet in Poland increased by 26% yoy (source: NetTrack surveys, carried out by SMG/KRC A MILLWARD BROWN COMPANY).

in PLN million	III Q 2003	III Q 2002	% change yoy	I-III Q 2003	I-III Q 2002	% change yoy
Total revenue	1.6	1.5	7.4%	5.7	4.4	30.3
incl. ad sales	1.3	1.3	6.8%	4.7	3.6	31.4%
Operating cost	(4.9)	(8.9)	(44.9%)	(18.6)	(24.8)	(25.0%)
incl. advertising and representation	(0.3)	(1.6)	(82.0%)	(1.0)	(2.1)	(54.1%)
incl. D&A	(1.9)	(3.6)	(48.3%)	(8.1)	(11.0)	(26.2%)
incl. staff cost	(1.6)	(2.1)	(24.9%)	(5.1)	(6.6)	(22.8%)
EBIT	(3.3)	(7.4)	-	(12.9)	(20.4)	-
EBITDA	(1.4)	(3.7)	-	(4.8)	(9.4)	-
Full-time employment at the end of the period	69	96	(27.8%)	69	96	(27.8%)

Lower D&A yoy is the result of the completion of the two-year's amortization period of intangible assets in March 2003.

V. ADDITIONAL INFORMATION

- On July 8, 2003, Agora SA acquired shares constituting 44% of the share capital of the company Bis Media Sp. z o.o. with its seat in Lublin, the broadcaster of a local radio program called *Radio Puls (Lublin)*. As a result of the acquisition of the above mentioned shares, Agora SA stake in Bis Media share capital totals 49% and entitles the Company to exercise 49% of votes at the General Meeting of Shareholders. The Company informed of the above transaction in a current report dated July 14, 2003.
- On July 9, 2003, 2,487,099 shares of Agora SA were admitted for trading on the main market of the Warsaw Stock Exchange. The shares constituted 9% of all of shares of Agora SA currently listed on the Warsaw Stock Exchange and 11% of shares held by shareholders entitled to exercise less than 5% of total voting rights at the General Meeting of Shareholders and the depositary bank for GDRs. The Shares were purchased by employees of Agora and other companies from Agora's capital group pursuant to stock participation programs executed by Agora in cooperation with Agora-Holding Sp. z o.o. 1.7 million of the shares were held by shareholders who acquired shares as a result of the Company's transformation into the joint stock company in 1998. The remaining shares were purchased from Agora-Holding Sp. z o.o. between 2000 and 2002 at their nominal value.
- On September 2, 2003, Agora SA entered into an annex to the loan agreement with Bank Polska Kasa Opieki S.A. concerning the long-term syndicated loan up to the amount of PLN 500 million, concluded on April 5, 2002. The annex did not amend any of the material stipulations of the above but arranged certain technical issues raised in the course of the execution of the agreement and concerning counting interest, principal repayment and functioning of some of the loan's collaterals.
- On September 2, 2003, Agora SA entered into a loan agreement amounting to PLN 5 million with a subordinate entity – the company Art Marketing Syndicate S.A. The loan is secured by AMS blank promissory note. The interest rate is annual WIBOR increased by 1 pp. Interest will be payable by the end of each interest period. Principal repayment date falls at August 31, 2006.

1. Changes in the holdings of shares and rights to shares by the Management Board members in the third quarter of 2003.

During the WSE trade session on September 23, 2003 the Deputy President of the Board – Zbigniew Bak – sold 11,222 ordinary bearer shares of Agora SA at the average price of PLN 52.94 per share. The Company informed about the transaction in the current report of September 24, 2003.

During the WSE trade sessions between 24 and 25 September, 2003 the President of the Board – Wanda Rapaczynski – sold 19,632 ordinary bearer shares of Agora SA at the average price of PLN 53.27 per share. The Company informed about the transaction in the current report of September 26, 2003.

a. shares	as of 30 Sep 2003	change	as of 30 June 2003
Wanda Rapaczynski	1,357,903	(19,632)	1,377,535
Piotr Niemczycki	1,855,680	0	1,855,680
Helena Luczywo	1,278,484	0	1,278,568
Zbigniew Bak	81,262	(11,222)	92,484

b. right to shares	as of 30 Sep 2003	change	as of 30 June 2003
Wanda Rapaczynski	27,411	0	27,411
Piotr Niemczycki	27,011	0	27,011
Helena Luczywo	21,625	0	21,625
Zbigniew Bak	59,466	0	59,466

2. Changes in the holdings of shares and rights to shares by the Supervisory Board members in the third quarter of 2003.

	as of 30 Sep 2003	change	as of 30 June 2003
Anna Fornalczyk	0	0	0
Brian Cooper	0	0	0
Tomasz Sielicki	33	0	33
Stanislaw Soltysinski*	-	-	-
Louis Zachary	0	0	0

* Stanislaw Soltysinski invests in a „blind trust” fund.

3. Shareholders holding directly or indirectly (via subordinate entities) at least 5% of the total number of votes at the Company's general meeting of shareholders as of the quarterly financial statement date.

To the best of the Company's knowledge the following shareholders are entitled to exercise over 5% of voting rights at the Company's General Meeting of Shareholders as of the date of announcement of the quarterly report for the third quarter of 2003:

as of 6 Nov 2003	no. of shares	% of share capital	no. of shares	% of voting rights
Agora-Holding Sp. z o.o.	14,673,976	25.85%	31,800,376	41.93%
Cox Poland Investment, Inc.	5,818,450	10.25%	7,774,690	10.25%
Deutsche Bank Trust Company Americas	4,160,900	8.54%	4,160,900	5.49%

Since the date of announcement of the previous quarterly report there have been no changes in the holdings of the issuer's major stakes.

VI. POST BALANCE-SHEET EVENTS:

- In the current report of October 2, 2003 Agora SA informed of the acquisition by Agora's subsidiary company – Art Marketing Syndicate S.A. – of 60 shares in the company Media System Sp. z o.o. Europlakat Group. Acquired shares constitute 100% of the share capital and entitle Agora to exercise 100% of voting rights at the general meeting of shareholders of Media System Sp. z o.o. Europlakat Group. The share purchase price totaled approximately PLN 1.9 million.
- On October 13, 2003, Agora SA entered into a loan agreement amounting to PLN 5 million with a subordinate entity – the company Art Marketing Syndicate S.A. The loan is secured by AMS blank promissory note. The interest rate is yearly WIBOR increased by 1 pp. Interest will be payable by the end of each interest period. Principal repayment date is October 31, 2006.
- In the current report of October 22, 2003 Agora SA informed about the purchase of 4 shares in the company Twoje Radio Sp. z o.o. Purchased shares constitute 4% of the company's share capital. Together with the previously held shares in Twoje Radio Sp. z o.o. Agora SA holds 23% of the share capital as well as 23% of voting rights at the general meeting of shareholders. The purchase price of the above mentioned shares totaled PLN 35 thousand.
- In the current report of October 23, 2003 Agora SA informed of the acquisition on October 16, 2003 of shares constituting 45% of the share capital in the company Regionalne Przedsiębiorstwo Związkowe Sp. z o.o. (RPZ Sp. z o.o.) with its seat in Tychy. As a result of the acquisition of the above-mentioned shares Agora's stake in RPZ share capital totals 49% and entitles the Company to exercise 49% of voting rights at the general meeting of shareholders.

VII. OTHER INFORMATION

- As for September 30, 2003, 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.
- In the first 9 months of 2003, main capital investments within the Group are as follows:
 - loans in the amount of PLN 15 million granted to the subsidiary company Art Marketing Syndicate S.A.,
 - paid off loans in the amount of PLN 34.9 million by the subsidiary company Art Marketing Syndicate S.A.,
 - the share subscription by Agora SA of 618,818 ordinary registered shares of AMS S.A. with par value of PLN 2 each and total nominal value of PLN 1,363,636. The issue price of shares subscribed for by Agora equals PLN 44 per share and their total issue price amounts to PLN 29,999,992. All the issued shares were taken up by Agora SA for cash contribution.

Warsaw, November 6, 2003

Wanda Rapaczynski – President of the Management Board

Piotr Pawel Niemczycki – Deputy President of the Management Board

Helena Luczywo – Deputy President of the Management Board

Zbigniew Bak – Deputy President of the Management Board

Consolidated balance sheets as at 30 September 2003 and 2002
(all amounts in PLN thousands unless otherwise indicated)

	As at 30 September	
	2 003	2 002
Assets		
Long-term assets:		
Property, plant and equipment	835 257	824 661
Intangible assets	253 803	101 579
Investments	24 815	59 277
Investments in associates	12 988	15 820
	<u>1 126 863</u>	<u>1 001 337</u>
Current assets:		
Cash and cash equivalents	85 516	75 795
Short-term securities and other financial assets	11 162	3 607
Accounts receivable and prepayments	142 118	106 476
Inventories	15 353	14 234
	<u>254 149</u>	<u>200 112</u>
Total assets	<u>1 381 012</u>	<u>1 201 449</u>
Shareholders' equity and liabilities		
Shareholders' equity:		
Share capital	56 758	56 758
Share premium	353 646	353 646
Retained earnings and other reserves	654 971	653 412
	<u>1 065 375</u>	<u>1 063 816</u>
Minority interests	<u>1 022</u>	<u>1 012</u>
Long-term liabilities:		
Long-term borrowings	113 347	-
Deferred income taxes	43 377	29 605
	<u>156 724</u>	<u>29 605</u>
Long term provisions, deferred credits	13 859	9 733
Current liabilities:		
Accounts payable and accrued charges	113 763	97 283
Short-term borrowings	30 269	-
	<u>144 032</u>	<u>97 283</u>
Total liabilities and shareholders' equity	<u>1 381 012</u>	<u>1 201 449</u>

Agora SA

Consolidated income statements for six months ended 30 September 2003 and 2002

(all amounts in PLN thousands unless otherwise indicated)

	9 months ended 30 September	
	2 003	2 002
Sales	619 917	555 940
Operating costs	<u>(603 414)</u>	<u>(498 341)</u>
Operating profit	16 503	57 599
Interest in results of associates	(1 242)	(1 595)
Gain on disposal of shares in a related company	322	140
Provision for losses on investments	(2 185)	(2 395)
Interest and financial items	<u>(4 915)</u>	<u>8 998</u>
Profit before income taxes	8 483	62 747
Income taxes	(5 605)	(11 835)
Minority interests	<u>(582)</u>	<u>(503)</u>
Net profit for the period	<u>2 296</u>	<u>50 409</u>
Earnings per share (in PLN)	<u>0,04</u>	<u>0,89</u>

	9 months ended 30 September	
	2 003	2 002
Cash flows from operating activities		
Net profit before taxation	7 901	62 244
Adjustments for:		
Depreciation of plant, property and equipment	88 697	75 833
Amortisation of intangible assets and goodwill	14 450	5 332
Foreign exchange (gain) / loss	-	(660)
Investment (income) / cost	599	(815)
Interest, net	7 321	-
Minority interest and interest in results of associates	1 796	2 098
(Increase) / decrease in trade and other receivables	2 803	8 947
(Increase) / decrease in inventories	(614)	1 470
(Decrease) / increase in payables	(28 786)	(929)
Other non-recurring expenses	4 999	(8 990)
Cash generated from operations	99 166	144 530
Income taxes paid	(722)	(4 996)
Net cash from operating activities	98 444	139 534
Cash flows from investing activities		
Purchase of property plant and equipment	(28 723)	(128 148)
Acquisition of subsidiary undertakings, net of cash acquired	(4 383)	(93 349)
Net cash on sale and purchase of long-term investments	2 096	(37 535)
Proceeds from sale of equipment	514	370
Redemption/(acquisition) of short-term securities	(3 773)	58 867
Net cash used in investing activities	(34 269)	(199 795)
Cash flows from financing activities		
Decrease in borrowings	(21 177)	-
Interest and fees paid	(7 534)	(1 788)
Dividends paid	(1 008)	-
Net cash used in financing activities	(29 719)	(1 788)
Net increase in cash and cash equivalents	34 456	(62 049)
Movements in cash and cash equivalents		
At start of period	51 060	137 844
At end of period	85 516	75 795

Opening balance of cash as at 1 January 2001 was increased by the opening balance of cash in subsidiary companies that were consolidated for the first time in the financial statements. Consequently balance increased by PLN 4 964 thousand from PLN 132 880 thousand (Group's closing balance as at 31 December 2001) to PLN 137 844 thousand.

The Group has changed the balance sheet presentation of the short term monetary assets of maturities up to 3 months (treasury papers and shares in investment funds), which are now presented as cash equivalents, while they used to be presented as short term securities and other financial assets. As a consequence of the change in presentation the balance of cash and cash equivalents increased and the balance of short term securities and financial assets decreased by the following amounts : PLN 1 579 thousand, PLN 53 971 thousand in the opening balance of cash as at 1 January 2003 and as at 30 September 2003.

The Group has changed the layout of the cash flow statement. The comparative consolidated cash flow statement for the nine months ended 30 September 2002 has been adequately restated.

Agora SA

Consolidated statement of changes in shareholders' equity for nine months ended 30 September 2003

(all amounts in PLN thousands unless otherwise indicated)

	Share capital	Share premium	Retained earnings	Other	Total
As at 31 December 2001	<u>56 758</u>	<u>353 646</u>	<u>609 057</u>	<u>1 147</u>	<u>1 020 608</u>
Adjustment from initial consolidation of certain subsidiaries and associates	-	-	(8 576)	-	(8 576)
Net profit for the period	-	-	51 047	-	51 047
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 for the period	-	-	2 296	-	2 296
As at 30 September 2003	<u>56 758</u>	<u>353 646</u>	<u>653 824</u>	<u>1 147</u>	<u>1 065 375</u>