***AGORA GROUP***
***REPORT FOR***
***THE FOURTH QUARTER OF 2007***

TABLE OF CONTENTS

***AGORA GROUP***
***MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)***
***OF THE COMPANY'S RESULTS FOR THE FOURTH QUARTER OF 2007***

***AGORA GROUP***
***MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)***
***OF THE COMPANY'S RESULTS FOR THE FOURTH QUARTER OF 2007***

**REVENUE PLN 1,272.3 MILLION, NET PROFIT PLN 100.2 MILLION, OPERATING EBITDA PLN 230.6 MILLION, OPERATING CASHFLOW PLN 203.3 MILLION, FREE CASH FLOW PLN 151 MILLION**

*Unless indicated otherwise, all data presented herein represent the period of January-December 2007, while comparisons refer to the same period of 2006. All data sources are presented in part IV of this MD&A.*

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

- Revenues of the Group amounted to PLN 1.27 billion and increased by 12.2% yoy. Advertising sales reached PLN 850.2 million (up 12.7%), revenues from copy sales PLN 210.7 million (up 23%) and book sales PLN 127.2 million (up 3.5%).
- According to Agora's estimates, in 2007, advertising spending for all media went up by PLN 0.8 billion (13%). The fastest growing segments were Internet (41%), outdoor (19%) and television (17%), Newspapers recorded 5% growth rate.
- *Gazeta's* advertising sales reached PLN 502.7 million (up 6.4%) and its copy sales generated PLN 164 million in revenues (up 33.9%). During the period, *Gazeta* sold 448 thousand copies on average (3.2% more than last year), while its share in total newspaper advertising spending grew to 41%.
- AMS grew revenues by 13.2% to PLN 171 million and delivered 22.5% operating EBITDA margin.
- Revenues of magazines reached PLN 105.3 million (up 10.8%), that of radio stations grew by 8.9% while that of *Metro* were up by 46.1%.
- In 2007 Agora's online business reached PLN 27.5 million in advertising sales, PLN 13.4 million more than last year. At the end of November *Gazeta.pl*'s reach amounted to 44.2% (up 6 pp). During the period, Agora launched 18 new online services and revamped 26 existing online offers.
- In 2007 total operating expense of the Group reached PLN 1.15 billion and increased by 5.3%. This was primarily due to expanded internet operations, enriched newspaper readership offer and extended outdoor panel portfolio.
- Operating EBITDA of the Group stood at PLN 230.6 million, while its operating EBITDA margin reached 18.1%. The Group's net profit amounted to PLN 100.2 million.

**Marek Sowa, President of the Management Board said:**

"I present Agora's 2007 results with great satisfaction. As promised, the company returned to solid profitability and *Gazeta* strengthened its market position. This is evidence of strong operating fundamentals and significant growth potential. Now we want to leverage this potential to grow the scale of our operations. We will add new revenue streams and change the Group's revenue structure, so that in three years the majority of our revenues will come from activities other than newspaper publishing. The Management Board is committed to execute on these aspirations, also through consistent investment policy."

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

### 1. EXTERNAL FACTORS

#### 1.1. Advertising market

According to Agora's estimates based on public data sources, in the fourth quarter of 2007 advertisers spent ca PLN 2.2 billion (19% more than last year). Spending for television grew by 22% and accounted for almost 50% of total ad spend.

Advertising expenditure in print was PLN 0.6 billion. During the period, advertisers spent 7% more on dailies and ca 8% more on magazines. In the fourth quarter of 2007, advertising spending in radio stations grew by almost 19% over last year. National radio stations increased ad revenues by 22%, whereas local and regional broadcasters by 12% and 16%, respectively.

Internet advertising grew the fastest. In the fourth quarter of 2007 online advertising budgets increased by over 39%. Similar growth rate (31%) was recorded by outdoor advertising segment.

In total 2007 advertising spending in Poland in all media reached PLN almost 6.9 billion and grew by PLN 0.8 billion yoy (13%). During the period, about 47% of all advertising budgets went to TV. Newspapers increased revenues by PLN 47 million, outdoor by PLN 102 million and radio by PLN 46 million. Internet advertising budgets were PLN 87 million higher than last year and accounted for 4% of total ad spend.

#### 1.2. Newspaper competition

In 2007, *Gazeta Wyborcza* sold 448 thousand copies on average (up 3.2%), 94 thousand copies more than the combined paid circulation of Springer's *Dziennik* and the quality *Rzeczpospolita*.

During the same period, *Rzeczpospolita* sold 164 thousand copies on average (4.9% fewer than last year) and *Super Express* declined paid circulation by 0.8% to 198 thousand copies. Average daily copy sales of Springer's *Fakt* reached 514 thousand copies and remained flat yoy (0.2% up) and that of *Dziennik* totaled 190 thousand copies. *Dziennik* was launched in April 2006. In May-December 2007 Springer's new daily sold 178 thousand copies on average, 17% fewer as compared to the same period in 2006. Since June 2007 *Dziennik* is ranked fourth among national newspapers, behind *Fakt*, *Gazeta Wyborcza* and *Super Express*.

Local titles of Polskapresse *(Polska Dziennik Baltycki, Polska Dziennik Lodzki, Polska Dziennik Zachodni, Polska Gazeta Krakowska, Polska Glos Wielkopolski, Polska Gazeta Wroclawska, Express Ilustrowany*) sold 366 thousand copies (down 22 thousand yoy), while paid circulation of Media Regionalne (Mecom) titles amounted to 324 thousand (a decline by 22 thousand).

In 2007 *Gazeta* was the most read newspaper in Poland. Its weekly readership reach stood at 19.5% (5.9 million readers; CCS, weekly readership index). During the same period, *Fakt*'s readership was 18.3%, and that of *Super Express* reached 8.3%. *Metro* recorded excellent readership rate of 8.2% i.e. 2.5 million people. Readership rates of other national dailies, *Dziennik* and *Rzeczpospolita* stood at 7.4% and 5.3%, respectively.

In 2007 *Gazeta's* share in total newspaper ad spend was almost 41% and increased by almost 0.5 pp yoy. During the same period, *Dziennik* commanded almost 6.5% share, while *Fakt* suffered about 1.5pp decline to 6%. Agora's free newspaper *Metro* recorded a dynamic growth of revenues (up 53%) and increased its market share to nearly 3%.

In October 2007 Polskapresse started publishing 11 local dailies. During the period of 15 October – 31 December 2007 the publisher recorded the following sales results of its titles: *Polska Bialystok* (1.8 thousand), *Polska Gazeta Opolska* (2.6 thousand), *Polska Kielce* (2 thousand), *Polska Koszalin* (1.4 thousand), *Polska Kujawy* (2.8 thousand), *Polska Lubuskie* (2.6 thousand), *Polska Mazowsze* (5.3 thousand), *Polska Metropolia Warszawska* (17.5 thousand), *Polska Olsztyn* (1.6 thousand), *Polska Rzeszow* (3.1 thousand), *Polska Szczecin* (2.3 thousand). The launch and current copy sales of Polskapresse new and existing titles is supported by advertising campaign and free-of-charge DVDs attached to particular titles (about 3.7 million DVDs in November and around 1 million in December).

## 2. INTERNAL FACTORS

### 2.1. Revenues from copy sales

In 2007, *Gazeta's* circulation revenues went up by 33.9% yoy. This result is attributed to the growth of *Gazeta's* copy sales and the introduction of an effective marketing strategy based on differentiating the newspaper's cover price once a DVD or any other attractive supplement is attached. The success of *Gazeta*'s marketing strategy encouraged other publishers to emulate this approach. As a result, the newspaper sales market with add-ons became very competitive and the number of offers substantially increased.

### 2.2. Revenues from book collections

In 2007 book collections added PLN 127.2 million in revenues and delivered PLN 8.3 million operating profit. In the said period, 15 series and 21 one-off projects sold 8 million books and books with CDs and DVDs.

As a result of copying Agora's strategy by other publishers, the collection business became very competitive.

### 2.3. Operating cost

#### *2.3.1. Marketing and promotion cost*

In 2007 total marketing and promotion cost of the Group reached PLN 211.1 million and increased by 14.5%. This was related to the cost of selling DVDs or other attractive supplements attached to *Gazeta* at a higher cover price.

#### *2.3.2. Cost of raw materials, energy and consumables*

In 2007 cost of raw materials, energy and consumables of the Group reached PLN 258.8 million and grew by 5.7% over the last year. The growth reflects the execution of collections which were primarily based on book sales. The series run during the same period of 2006 were composed of books with DVDs/CDs accounted for as a promotional expense.

Operating cost increase by PLN 9 million in the fourth quarter of 2007 stems primarily from the increased cost of production materials reflecting higher production volume, as well as from execution of more collections based on book sales rather than CD/DVD sales during the period.

#### *2.3.3. Staff cost and headcount*

In 2007, staff cost of the Group (less non-cash incentive compensation) stood at PLN 258.9 million and increased by 2%. In the fourth quarter of 2007, staff cost reached PLN 70.6 million and was up by 13%. This growth is by and large attributed to the expansion of Agora's internet operations.

The Group's headcount at the end of the fourth quarter of 2007 was 3,469 employees and increased by 43 FTEs as compared to the third quarter of 2007 (a decline of 19 FTEs versus the fourth quarter of 2006).

## 3. PROSPECTS

### 3.1. Advertising market

According to Agora's estimates based on GDP growth forecasts for Poland, total advertising spending in 2008 will increase by ca 10-11%. The Company assumes that online spending will be the fastest growing advertising segment (ca 35-40% growth rate) and will account for ca 5.5% share of total ad spend in Poland by the end of the year.

The Company assumes that, as was the case last year, in 2008 television will continue to be the largest beneficiary of advertising spending. According to Agora's estimates TV advertising budgets will increase by PLN 0.4 billion (11-12%) more than last year. The accelerated growth of TV will be by and large driven by ad rate increases.

Print advertising will see the slower growth pace. According to Agora's estimates in 2008 advertisers will spend PLN 1.1 billion on dailies (4% more than last year) and PLN 1.15 billion on magazines (5% more).

Advertising spending on outdoor will increase by 10% while spending on radio by 7-8%.

## 3.2. Operating cost

### *3.2.1 Staff cost and headcount*

In 2008 the Company expects increase of its staff cost. This increase will be primarily driven by dynamic growth of Agora's online operations. The recruitment process started in the third quarter of 2007 and will be continued throughout 2008.

As a result of the increased competition in the media market the Company is also working on the implementation of a long-term plan aimed at staff compensation regulations. The Company expects that the execution of the plan will take two years.

### *3.2.2 Share-based compensation*

Estimated total cost related to incentive plans to be charged to the Group's 2008 profit and loss account will be ca PLN 35 million. It should be noted, however, that this amount includes estimated cost of execution of incentive plan in 2008 but the Company does not in fact know the number of certificates to be purchased by employees pursuant to the future plan, or the stock price of Agora's shares at that accounting period. Hence, for purposes of providing an estimate, the Company assumed that these values will be equivalent to those on which the fourth quarter 2007 calculations were based. The cost of incentive plans are reflected in the Group's P&L according to the accounting rules referred to in note 5 to the financial statements. Pursuant to these rules, share-based compensation cost will be charged unevenly throughout the year. In the first half of 2008 the Company's P&L will be influenced by about PLN 24 million of non-cash incentive compensation. As a result of shorter vesting period (9 months), a PLN 11 million cost of new incentive plan will be reflected in the Company's P&L in the fourth quarter of 2008.

## 3.3. Strategic goals and growth directions

In 2006-2007 the Company was under strong pressure from its competitors, particularly in the paid newspaper market. The successful execution of *Gazeta's* market strategy based on cover price reduction combined with consistent and innovative marketing approach allowed Agora to return to solid profitability, high-level financial ratios and to strengthen *Gazeta's* position in the newspaper market. The 2007 financial results of all of the Group's business lines prove their solid operating fundaments, while a number of multimedia projects implemented during that period attest to their growth potential and unique competencies of Agora's team.

Agora will continue to actively strengthen the competitive positions of all of its assets, including *Gazeta Wyborcza*. However, the Company is cognizant of the fact that the slowing advertising growth in the paid dailies segment combined with growing competition necessitate a search for new sources of growth beyond publishing.

At the same time, the media industry is undergoing significant changes. The boundaries between media, categories and segments are shifting. The consumers face a vast and growing array of new offers and their pattern of media consumption is changing; we are witnessing a growing popularity of profiled services, dedicated to increasingly smaller target groups. These trends are reflected in purchasing decisions of advertisers who increasingly allocate their budgets to profiled offers such as thematic TV channels, Internet classified vortals or consumer trade magazines. This trend concerns all media segments except for outdoor advertising which remains mass-oriented. The technology revolution in media also means changes in the method and quality of content distribution. The Company expects that within the next few years the digital transition and the growing broadband penetration will open up new opportunities in both traditional media enterprises, and in totally new areas of media endeavors.

In the context of the changes in the media landscape, Agora defined new growth directions for its operations for the next several years, as follows:

1. Content creation and distribution. This means we will amass and effectively leverage the Company's multimedia assets and its competencies in a wide array of thematic categories, as well as an actively search for new content sources and opportunities for their distribution.

2. Expanded presence and revenue maximization in the fast growing advertising segments. The Company will enter and/or expand its presence in those areas, selecting such which are the best fit with the Company's competencies and its financial capacity. They include, *inter alia*, Internet, television (thematic channels) and outdoor advertising.

3. Leveraging opportunities created by the digital transition in media. The Company believes that this process will open up vast expansion prospects for the electronic media market as it lowers barriers to entry, whether in terms of financing, distribution and regulation. Digital transition process will enable creation of new, targeted media offers.

The Company's growth priorities which ensue from the directions discussed above imply increased presence in the Internet arena (including intensive development of audiovisual and mobile content and classified offers), as well as content creation dedicated to both off and online TV production (thematic channels). At the same time, the Company intends to dynamically develop all those media assets in its portfolio which provide complementary content for the creation of new profiled offers (in particular, the magazine portfolio).

Implementation of Agora's strategy entails increased scale of operations, accelerated revenue growth and a broadening of revenue streams to include those from electronic media. Poland is the Company's primary market, however, it intends to play an active role in the changing media landscape of the neighboring countries (such as Ukraine). The Management Board aspires to expand the Group's topline in a way which will ensure that in three years a majority of revenues will come from activities other than the newspaper business lines. To meet this goal, the Company will employ a more aggressive acquisition approach, will actively search for and enter into joint ventures and partnerships (including equity partnerships) and accept higher risk in evaluating investment targets. The Management Board believes that the Group's current financial capacity combined with a more flexible approach to funding of growth activities (including credit line increase or new stock issues) are favorable and necessary conditions for the implementation of its expansion plans. The Management Board of Agora is committed and prepared to proactively and effectively execute the plan.

While executing Agora's growth strategy, the Company will focus internally on building new competence centers and on implementing pro-development management system.

## III. FINANCIAL RESULTS

### 1. THE AGORA GROUP

The consolidated financial statements of the Agora Group for the fourth quarter of 2007 include Agora SA, Agora Poligrafia Sp. z o.o., Art Marketing Syndicate SA Group (AMS Group), Agora TC Sp. z o.o., Agora Ukraine LLC. and 13 subsidiary companies of the radio business. Detailed list of companies of the Agora Group is presented in the note to the financial statements.

### 2. PROFIT AND LOSS ACCOUNT OF THE AGORA GROUP

***Tab. 1***

| in PLN million | IV Q 2007 | IV Q 2006 | % change yoy | I-IV Q 2007 | I-IV Q 2006 | % change yoy |
|---|---|---|---|---|---|---|
| Sales | 352.4 | 299.4 | 17.7% | 1,272.3 | 1,133.7 | 12.2% |
| Advertising | 241.8 | 210.6 | 14.8% | 850.2 | 754.5 | 12.7% |
| Copy sales | 63.1 | 41.3 | 52.8% | 232.8 | 178.7 | 30.3% |
| Other | 47.5 | 47.5 | - | 189.3 | 200.5 | (5.6%) |
| Operating cost net, incl.: | (321.7) | (278.7) | 15.4% | (1,152.0) | (1,094.1) | 5.3% |
| Raw materials, energy and consumables | (69.6) | (60.6) | 14.9% | (258.8) | (244.9) | 5.7% |
| D&A | (20.2) | (20.1) | 0.5% | (78.3) | (77.0) | 1.7% |
| Staff cost (1) | (70.6) | (62.5) | 13.0% | (258.9) | (253.8) | 2.0% |
| Non-cash expense relating to share-based payments | (12.0) | (10.0) | 20.0% | (32.6) | (34.8) | (6.3%) |
| Promotion and marketing | (64.7) | (42.5) | 52.2% | (211.1) | (184.4) | 14.5% |
| Restructuring (2) | - | - | - | - | (5.1) | - |
| Operating profit - EBIT | 30.7 | 20.7 | 48.3% | 120.3 | 39.6 | 203.8% |
| Finance cost, net, incl.: | 2.2 | 1.3 | 69.2% | 9.0 | 6.6 | 36.4% |
| Revenue from short-term investment | 4.3 | 2.8 | 53.6% | 15.9 | 13.3 | 19.5% |
| Interest on loans and similar costs | (2.0) | (1.7) | 17.6% | (7.2) | (6.7) | 7.5% |
| Share of results of associates | - | 0.1 | - | - | 0.1 | - |
| Profit before income tax | 32.9 | 22.1 | 48.9% | 129.3 | 46.3 | 179.3% |
| Income tax expense | (6.4) | (6.7) | (4.5%) | (29.1) | (14.3) | 103.5% |
| Net profit for the period | 26.5 | 15.4 | 72.1% | 100.2 | 32.0 | 213.1% |
| Attributable to: | | | | | | |
| Equity holders of the parent | 26.4 | 15.3 | 72.5% | 100.3 | 32.6 | 207.7% |
| Minority interest | 0.1 | 0.1 | - | (0.1) | (0.6) | (83.3%) |
| | 26.5 | 15.4 | 72.1% | 100.2 | 32.0 | 213.1% |
| EBIT margin (EBIT/Sales) | 8.7% | 6.9% | 1.8pp | 9.5% | 3.5% | 6.0pp |
| EBITDA | 50.8 | 40.8 | 24.5% | 198.0 | 116.0 | 70.7% |
| EBITDA margin (EBITDA/Sales) | 14.4% | 13.6% | 0.8pp | 15.6% | 10.2% | 5.4pp |
| Operating EBITDA (1) | 62.8 | 49.6 | 26.6% | 230.6 | 151.2 | 52.5% |
| Operating EBITDA margin (Operating EBITDA/Sales) | 17.8% | 16.6% | 1.2pp | 18.1% | 13.3% | 4.8pp |

*(1) excluding non-cash cost of share-based payments.*
*(2) including non-cash expense related to share-based payments in the amount of PLN 0.4 million.*

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

Agora's business lines operating contribution to the Group's financials is presented in the underneath table (see 2.1.).

**2.1. Financial results presented according to major lines of business of the Agora Group for four quarters of 2007**

***Tab. 2***

| in PLN million | Newspapers and Internet (1) | Magazines | Outdoor | Radio | Company's headquarters, New Business Development division | Elimina-tions | Total (consoli-dated) I-IVquarter 2007 |
|---|---|---|---|---|---|---|---|
| Total sales | 937.4 | 105.3 | 171.0 | 73.4 | - | (14.8) | 1,272.3 |
| % Share | 73.7% | 8.3% | 13.4% | 5.8% | - | (1.2%) | 100.0% |
| Total operating cost | (847.1) | (85.7) | (149.5) | (73.3) | (9.8) | 13.4 | (1,152.0) |
| EBIT | 90.3 | 19.6 | 21.5 | 0.1 | (9.8) | (1.4) | 120.3 |
| Finance cost, net | | | | | | | 9.0 |
| Share of results of associates | | | | | | | - |
| Income tax expense | | | | | | | (29.1) |
| Net profit | | | | | | | 100.2 |
| Attributable to: | | | | | | | |
| Equity holders of the parent | | | | | | | 100.3 |
| Minority interest | | | | | | | (0.1) |
| EBITDA | 142.8 | 19.9 | 35.9 | 2.5 | (2.8) | (0.3) | 198.0 |
| Operating EBITDA (2) | 169.4 | 21.1 | 38.4 | 4.5 | (2.5) | (0.3) | 230.6 |
| CAPEX | (8.7) | (0.2) | (33.9) | (3.7) | (0.3) | - | (46.8) |

*(1) including the Management Board costs and other overheads*
*(2) excluding non-cash cost of share-based payments.*

**2.2. Finance cost, net**

Higher revenue from short-term investments in the year of 2007 results from yoy increase in cash and monetary assets.

## 3. BALANCE SHEET OF THE AGORA GROUP

***Tab. 3***

| in PLN million | 31/12/2007 | 30/09/2007 | % change to 30/09/2007 | 31/12/2006 |
|---|---|---|---|---|
| Non-current assets | 956.3 | 956.1 | 0.02% | 978.4 |
| share in balance sheet total | *58.9%* | *61.0%* | *(2.1pp)* | *63.8%* |
| Current assets | 666.8 | 611.3 | 9.1% | 554.3 |
| share in balance sheet total | *41.1%* | *39.0%* | *2.1pp* | *36.2%* |
| TOTAL ASSETS | 1,623.1 | 1,567.4 | 3.6% | 1,532.7 |
| Equity attributable to equity holders of the parent | 1,215.7 | 1,177.2 | 3.3% | 1,165.2 |
| share in balance sheet total | *74.9%* | *75.0%* | *(0.1pp)* | *76.0%* |
| Minority interest | (0.1) | (0.6) | 83.3% | (0.5) |
| share in balance sheet total | - | - | - | - |
| Non-current liabilities and provisions | 169.9 | 179.7 | (5.5%) | 170.4 |
| share in balance sheet total | *10.5%* | *11.5%* | *(1.0pp)* | *11.1%* |
| Current liabilities and provisions | 237.6 | 211.1 | 12.6% | 197.6 |
| share in balance sheet total | *14.6%* | *13.5%* | *1.1pp* | *12.9%* |
| TOTAL EQUITY AND LIABILITIES | 1,623.1 | 1,567.4 | 3.6% | 1,532.7 |

### 3.1. Non-current assets

The slight change in non-current assets versus 30 September 2007 stems mainly from the recognition of a deferred tax asset and a depreciation of tangible fixed assets and amortization of intangible fixed assets.

### 3.2. Current assets

The increase of current assets versus 30 September 2007 results mainly from the increase of short-term receivables and prepayments as well as cash and cash equivalents.

### 3.3. Non-current liabilities and provisions

The decrease of non-current liabilities versus 30 September 2007 is caused mainly by the reclassification of bank loan in the amount of PLN 8.7 million from non-current to current part.

### 3.4. Current liabilities and provisions

The increase of current liabilities and provisions versus 30 September 2007 results mainly from the increase in short-term borrowings as a result of the above re-classification as well as the increase of trade liabilities.

## 4. CASH FLOW STATEMENT OF THE AGORA GROUP

***Tab. 4***

| in PLN million | IV Q 2007 | IV Q 2006 | % change yoy | I-IV Q 2007 | I-IV Q 2006 | % change yoy |
|---|---|---|---|---|---|---|
| Net cash from operating activities | 43.1 | 46.9 | (8.1%) | 203.3 | 148.0 | 37.4% |
| Net cash from investment activities | 25.5 | 31.1 | (18.0%) | (109.9) | 32.9 | - |
| Net cash from financing activities | (2.4) | (3.3) | (27.3%) | (90.4) | (35.8) | 152.5% |
| Total movement of cash and cash equivalents | 66.2 | 74.7 | (11.4%) | 3.0 | 145.1 | (97.9%) |
| Cash and cash equivalents at the end of period | 337.7 | 334.7 | 0.9% | 337.7 | 334.7 | 0.9% |

As at 31 December 2007, the Agora Group had PLN 401.1 million in cash and in short-term monetary assets, of which PLN 337.7 million was in cash and cash equivalents (cash, bank accounts and bank deposits) and PLN 63.4 million in certificates in investment funds.

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

### 4.1. Operating activities

In the fourth quarter of 2007, the net cash inflow from operating activities was lower yoy. The net profit before taxation increased by PLN 83 million, but was reduced by increased receivables.

### 4.2. Investment activities

Net inflow from investing activities in the fourth quarter of 2007 results from sales of short-term securities, in which the company invested its free cash.

### 4.3. Financing activities

In the fourth quarter of 2007 net cash from financing activities mainly included interest paid.

## 5. SELECTED FINANCIAL RATIOS *[5]*

***Tab. 5***

| | IV Q 2007 | IV Q 2006 | % change yoy | I-IV Q 2007 | I-IV Q 2006 | % change yoy |
|---|---|---|---|---|---|---|
| Profitability ratios | | | | | | |
| Net profit margin | 7.5% | 5.1% | 2.4pp | 7.9% | 2.9% | 5.0pp |
| Gross profit margin | 46.2% | 42.8% | 3.4pp | 43.2% | 41.0% | 2.2pp |
| Return on equity | 8.8% | 5.3% | 3.5pp | 8.4% | 2.8% | 5.6pp |
| Efficiency ratios | | | | | | |
| Inventory turnover | 7 days | 8 days | (12.5%) | 7 days | 9 days | (22.2%) |
| Debtors days | 58 days | 59 days | (1.7%) | 61 days | 65 days | (6.2%) |
| Creditors days | 37 days | 32 days | 15.6% | 41 days | 45 days | (8.9%) |
| Liquidity ratio | | | | | | |
| Current ratio | 2.8 | 2.8 | - | 2.8 | 2.8 | - |
| Financing ratios | | | | | | |
| Gearing ratio (1) | - | - | - | - | - | - |
| Interest cover | 15.6 | 12.8 | 21.9% | 17.1 | 6.1 | 180.3% |
| Free cash flow interest cover | 14.5 | 23.0 | (37.0%) | 21.5 | 16.2 | 32.7% |

*(1) as at 31 December 2007 and 31 December 2006 the Group had net cash position.*

Definitions of financial ratios *[5]* are presented at the end of part IV of this MD&A *("Operating review – major lines of business of the Agora Group").*

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

## *IV.A. NEWSPAPERS AND INTERNET*

***Tab. 6***

| in PLN million | IV Q 2007 | IV Q 2006 | % change yoy | I-IV Q 2007 | I-IV Q 2006 | % change yoy |
|---|---|---|---|---|---|---|
| Total sales (1) | 257.8 | 211.7 | 21.8% | 937.4 | 841.1 | 11.4% |
| Copy sales | 43.4 | 28.2 | 53.9% | 164.1 | 127.9 | 28.3% |
| incl. *Gazeta Wyborcza* | *43.4* | *28.0* | *55.0%* | *164.0* | *122.5* | *33.9%* |
| Advertising revenue (1) | 158.6 | 136.2 | 16.4% | 562.6 | 508.7 | 10.6% |
| incl. *Gazeta Wyborcza* (1)(2) | *137.3* | *125.1* | *9.8%* | *502.7* | *472.6* | *6.4%* |
| Book collections | 31.0 | 25.8 | 20.2% | 127.2 | 122.9 | 3.5% |
| Other revenue | 24.8 | 21.5 | 15.3% | 83.5 | 81.6 | 2.3% |
| Total operating cost, including | (236.5) | (197.6) | 19.7% | (847.1) | (814.2) | 4.0% |
| Raw materials, energy, consumables and printing services | (79.2) | (69.3) | 14.3% | (297.7) | (280.7) | 6.1% |
| Staff cost (3) | (54.0) | (46.6) | 15.9% | (195.3) | (190.0) | 2.8% |
| Non-cash expense relating to share-based payments | (9.8) | (8.1) | 21.0% | (26.6) | (28.9) | (8.0%) |
| D&A | (13.2) | (13.8) | (4.3%) | (52.5) | (53.6) | (2.1%) |
| Promotion and marketing (1) (4) | (55.0) | (34.3) | 60.3% | (180.3) | (159.6) | 13.0% |
| Restructuring (5) | - | - | - | - | (4.7) | - |
| EBIT | 21.3 | 14.1 | 51.1% | 90.3 | 26.9 | 235.7% |
| EBIT margin | 8.3% | 6.7% | 1.6pp | 9.6% | 3.2% | 6.4pp |
| EBITDA | 34.5 | 27.9 | 23.7% | 142.8 | 80.5 | 77.4% |
| EBITDA margin | 13.4% | 13.2% | 0.2pp | 15.2% | 9.6% | 5.6pp |
| Operating EBITDA (3) | 44.3 | 34.8 | 27.3% | 169.4 | 109.8 | 54.3% |
| Operating EBITDA margin | 17.2% | 16.5% | 0.7pp | 18.1% | 13.1% | 5.0pp |

(1) *the amounts do not include the revenue and the total cost of cross-promotion of Agora's different media (only the direct variable cost of campaigns carried out on advertising panels) if such promotion is executed without prior reservation.*

(2) *the amounts refer to total revenues from the dual media offers, i.e. published both in Gazeta Wyborcza, as well as on the websites GazetaPraca.pl, GazetaDom.pl and Komunikaty.pl.*

(3) *excluding non-cash cost of share-based payments.*

(4) *the amounts include start-up cost of new collections (the free-of-charge volume and initial promotion cost in media) and production and promotion cost of DVDs attached to Gazeta.*

(5) *including non-cash expense related to share-based payments in the amount of PLN 0.4 million.*

(6) *the Management Board costs, the majority of other overheads and Nowy Dzien results are included in "Newspapers and Internet" line of business; in the year of 2006 Nowy Dzien's total revenue reached PLN 7.4 million and its total operating cost amounted to PLN 26.8 million.*

### *1. GAZETA WYBORCZA*

### 1.1. Revenue

#### *1.1.1. Copy sales*

In the fourth quarter of 2007 *Gazeta Wyborcza* maintained its unquestionable leadership position among the opinion-making newspapers. During the period, average paid circulation of *Gazeta* reached 441 thousand copies (down 2% yoy) and its revenues from copy sales increased by almost 55%. This was due to increased number of copies sold and a market success of a sales offer based on attaching DVDs and other supplements to *Gazeta*.

In the fourth quarter of 2007 Agora completed sales of *Gazeta* with an attached DVD movie collection *Big Picture Hits I,* a TV series *Magda M. season 2* and launched new series: *Big Picture Hits II* and *Family Movies*. The daily was also enriched with foreign language courses and obligatory school lectures on CDs, cooking books (*New Italian Cuisine)*, computer games on DVDs and a number of other one-off projects.

All publications were available with *Gazeta* at a higher price (from PLN 2.99 to PLN 6.99), while a stand-alone newspaper cost PLN 1.50. The model of *Gazeta's* cover price differentiation assumes that the excess marketing and promotion cost (including production and promotion cost of DVDs) is offset by additional revenues from copy sales of the newspaper.

In the fourth quarter of 2007 *Gazeta* posted very good readership results. During the period, the newspaper had 5.5 million readers (18.3%, CCS, weekly readership index) 46% of whom were university graduates, 47.3% lived in cities over 100 thousand inhabitants and 61.4% were under 45 years of age.

*Gazeta* is the most widely read newspaper in the Mazowieckie region (1 million or 25.3%, CCS index). The newspaper's average paid circulation in that area amounted to 106 thousand copies in the fourth quarter, while that of *Dziennik* stood at 46 thousand copies (# 5 player in the market) and its readership rate was 9.1%. In the fourth quarter of 2007 average paid circulation of new local dailies launched in October 2007 *Polska Metropolia Warszawska* and *Polska Mazowsze* amounted to 17 thousand copies and 5 thousand copies, respectively. In the period of November –December of 2007, their readership rates stood at 2% and 0.4%, respectively.

### *1.1.2. Advertising sales*

In the fourth quarter of 2007, *Gazeta*'s net advertising revenue (including display advertising, classifieds and inserts) amounted to PLN 137.3 million (up 9.8% yoy). These figures include revenues from a dual-media offer, i.e. ads published in print and online (*GazetaPraca.pl*, *GazetaDom.pl*, *Komunikaty.pl* vortals).

In the fourth quarter of 2007, *Gazeta*'s share in all display advertising in dailies stood at 39% (up nearly 1pp yoy).

*Gazeta*'s share in ad spending for national dailies was almost 40% and decreased by over 2pp yoy. *Gazeta Wyborcza's* share in the Warsaw advertising (display advertising excluding classifieds, inserts and obituaries) increased by over 4pp yoy and its share in the local display advertising (outside Warsaw) – went up by over 2pp yoy.

In the fourth quarter of 2007, *Gazeta's* share of ad pages in the total pagecount amounted to ca 48%, while average number of ad pages published daily in all local and national editions reached ca 270.

### *1.1.3. Book collections*

***Tab. 7***

| | I Q 2006 | II Q 2006 | III Q 2006 | IV Q 2006 | I Q 2007 | II Q 2007 | III Q 2007 | IV Q 2007 |
|---|---|---|---|---|---|---|---|---|
| Revenue from book collections | 51.7 | 28.1 | 17.3 | 25.8 | 47.2 | 33.6 | 15.4 | 31.0 |

In the fourth quarter of 2007 the Company run seven collections, five of which were completed and two introduced to the market, and ten one-off projects.

During the presented quarter, Agora completed sales of *Disney's stories for children,* a series *Famous European Football Clubs,* a 14-volume book collection with political fiction TV series *Ekipa (The Team)* and a series of recruitment guidebooks prepared in cooperation with Wolters Kluwer Polska - *Jest Praca! (A Job to Get).* During the same period, the Company completed sales of, a 10-volume book collection *Business* (launched at the end of October in cooperation with Wydawnictwo Naukowe PWN). During the whole quarter, Agora continued a 21-volume *General history* series.

In November Agora started sales of *The anthology of Krzysztof Krawczyk* **-** a 20-volume collection of books with CDs.

At the end of November, *The Library of Gazeta Wyborcza* offered a book about Wojciech Mlynarski *My favorite tree, or Mlynarski obligatorily* prepared in cooperation with the publisher Znak. The book contains an interview with an artist, lyrics with Mlynarski's own commentaries and his songs' translations. In December Agora launched a second part of *Warsaw Walking Guide* – a book prepared by *Gazeta Stoleczna* (a Warsaw supplement to *Gazeta Wyborcza*).

In the fourth quarter of 2007 Agora launched seven books about artists with attached premiere CDs:

- *Kakadu* – Ewa Bem,
- *E.K.G.* – Edyta Gorniak (in cooperation with EG Production),

- a special edition of the album *The Colleagues (Koledzy)* – Maciej Malenczuk and Wojciech Waglewski,
- *Male Wu Wu sings the poems of priest Jan Twardowski, part 1* (*Male Wu Wu spiewa wiersze ks. Twardowskiego cz. 1)* – Male Wu Wu (in cooperation with Kiton Art),
- *Kumple to grunt* – Zespol Reprezentacyjny
- *Ekipa (The Team)* – the soundtrack,
- *Piosenka z dzwoneczkami poleca Marek Niedzwiecki (Christmas songs recommended by Marek Niedzwiecki)* – recommended by *Radio Zlote Przeboje.*

These projects are the continuation of Agora's 2006 activities based on selling books with premiere music CDs.

#### *1.1.4. Other revenues*

In the fourth quarter of 2007, the Company's revenues from sales of printing services increased by 12% due to more purchase orders from external clients.

### 1.2 Cost of production of *Gazeta Wyborcza*

***Tab. 8***

| Cost of production of *Gazeta Wyborcza* in PLN million | IV Q 2007 | IV Q 2006 | % change yoy | I-IV Q 2007 | I-IV Q 2006 | % change yoy |
|---|---|---|---|---|---|---|
| Fixed cost | 13.7 | 13.7 | - | 53.3 | 56.0 | (4.8%) |
| incl. D&A | *6.1* | *6.8* | *(10.3%)* | *25.6* | *27.9* | *(8.2%)* |
| Variable cost | 41.3 | 37.9 | 9.0% | 155.1 | 147.9 | 4.9% |
| incl. newsprint | *34.1* | *30.1* | *13.3%* | *126.6* | *118.3* | *7.0%* |
| TOTAL fixed and variable cost | 55.0 | 51.6 | 6.6% | 208.4 | 203.9 | 2.2% |

#### *1.2.1. Newsprint and printing services*

In the fourth quarter, the increase of variable cost was lower than the growth of printed volume, which went up by 14%. It was due to the optimalisation of the production printing technology in the Company's and external printing houses.

Changes in printing technology of *TV Guide* and *High Heels* supplements resulted in a 7% increase in external printing cost while printed volume increased by 20%.

### 1.3. Operating cost of '*Newspaper and Internet*' line of business

The rise in marketing and promotion cost in the fourth quarter of 2007 stems from *Gazeta*'s cover price differentiation mechanism. It assumes that the excess marketing and promotion cost (including production and promotion cost of CDs and DVDs) is offset by additional revenues from copy sales of the newspaper.

## 2. FREE PRESS

In the fourth quarter of 2007 *Metro* continued its growth of advertising and readership offer.

In October 2007, the newspaper launched a new website, *eMetro.pl.* The new service goes beyond providing online version of the newspaper. It combines everyday *Metro* news with unique content on every day life in the web. In the fourth quarter of 2007 *Metro* issued additional special supplements: *Metro Style, Metro Studenckie, Stoleczne Nieruchomosci* or *Metro Edukacja*.

In the fourth quarter of 2007 *Metro*'s average daily readership reached 4.8% (CPW index). This result ranks *Metro* third among most read newspapers in Poland, ahead of *Super Express* (2.8%), *Dziennik* (2.4%) and *Rzeczpospolita* (2.5%).

*Metro*'s advertising revenue grew rapidly. In the fourth quarter of 2007 the newspaper increased display ad sales by 64% yoy and its share in the national and local newspaper display advertising spending grew to 3%.

## 3. INTERNET *[6]*

In November 2007 *Gazeta.pl*'s reach grew to a 44.2% level. The portal's number of users amounted to 6.2 million and increased by 26.5% yoy. During the same month, the number of page views from the territory of Poland amounted to 432 million (7.4% more than last year) which translates into an 80-minute long visit per user.

In the fourth quarter of 2007 advertising revenues of Agora's internet offer (excluding ad sales of vortals: *GazetaPraca.pl, GazetaDom.pl* and *Komunikaty.pl*) grew 127.6% over last year.

In October the Company launched two new services: a recruitment website *Pracownicy.it* and a local service *Londyn.Gazeta.pl,* as well as *G.pl* web mail based on popular Google's *Gmail* (in cooperation with Google). Also in October, Agora revamped *Deser* and added *Moto.pl* to its online portfolio.

In November Agora launched another two websites: a business service *Manageria.pl* and a local service *Dublin.Gazeta.pl*. Agora also enhanced its stock exchange information service. In November the Company started the advertising campaign of *G.pl* and the second phase of the campaign promoting *Gazeta.pl* ("*Gazeta.pl* – portal od nowa"). In cooperation with *Frisco.pl,* Agora opened a new online shop with goods for children *FriscoBaby.pl*.

In December Agora and Bebo launched a new platform *Bebo.gazeta.pl* – a Polish version of one of the world's largest social media networking service.

During the Webstar Festival Agora received eight awards. These included, among others the commendations for best offer in their categories for *GazetaDom.pl, eDziecko.pl, Plotek.pl, Sport.pl, GazetaWyborcza.pl* and *Wiadomosci.gazeta.pl*.

According to Megapanel PBI/Gemius survey, in November 2007 *GazetaDom.pl* remained first among real-estate services, *GazetaPraca.pl* was the second largest recruitment service and *Sport.pl* was number three sports portal in terms of real users. *Gazeta.pl* became # 3 player among online lifestyle services. In November 2007, Agora's lifestyle services (among others: *Kobieta, eDziecko.pl, Deser, Groszki.pl, Ciacha.net, Plotek.pl*) attracted 2.7 million users and 63.9 million page views from the territory of Poland. Agora's entertainment offer recorded fast growth rate. In *culture and entertainment* category *Gazeta.pl* reached the ninth position, while services such as: *TiVi.pl, Popcorner.pl, Widelec.pl, G.pl* attracted 1.7 million users (36.8 million page views).

## *IV.B. THE MAGAZINES [7]*

In the fourth quarter of 2007 Agora's magazines strengthened their solid financial position. Advertising revenue was higher by 17.3% yoy and copy sales increased by 8.9%.

In October Agora launched a new shopping monthly for men – *Smart*. The magazine is directed to men interested in new products entering the market.

In November 2007 *eDziecko.pl* vortal (refreshed in the second quarter of 2007) had 832 thousand Polish internet users and its number of page views from the territory of Poland amounted to 17 million (according to Megapanel PBI/Gemius survey *[6])*.

***Tab. 9***

| in PLN million | IV Q 2007 | IV Q 2006 | % change yoy | I-IV Q 2007 | I-IV Q 2006 | % change yoy |
|---|---|---|---|---|---|---|
| Total sales, including (1) | 27.9 | 24.6 | 13.4% | 105.3 | 95.0 | 10.8% |
| Copy sales | 12.2 | 11.2 | 8.9% | 46.6 | 43.4 | 7.4% |
| Advertising revenue (1) | 15.6 | 13.3 | 17.3% | 58.3 | 51.2 | 13.9% |
| Total operating cost, including (1) | (23.6) | (20.3) | 16.3% | (85.7) | (84.8) | 1.1% |
| Raw materials, energy, consumables and printing services | (8.5) | (7.9) | 7.6% | (33.1) | (31.7) | 4.4% |
| Staff cost (2) | (4.6) | (4.5) | 2.2% | (18.7) | (19.1) | (2.1%) |
| Non-cash expense relating to share-based payments | (0.6) | (0.3) | 100.0% | (1.2) | (1.1) | 9.1% |
| D&A | (0.1) | (0.1) | - | (0.3) | (0.3) | - |
| Promotion and marketing (1) | (7.7) | (5.6) | 37.5% | (25.8) | (25.7) | 0.4% |
| Restructuring | - | - | - | - | (0.4) | - |
| EBIT | 4.3 | 4.3 | - | 19.6 | 10.2 | 92.2% |
| EBIT margin | 15.4% | 17.5% | (2.1pp) | 18.6% | 10.7% | 7.9pp |
| EBITDA | 4.4 | 4.4 | - | 19.9 | 10.5 | 89.5% |
| EBITDA margin | 15.8% | 17.9% | (2.1pp) | 18.9% | 11.1% | 7.8pp |
| Operating EBITDA (2) | 5.0 | 4.7 | 6.4% | 21.1 | 11.6 | 81.9% |
| Operating EBITDA margin | 17.9% | 19.0% | (1.1pp) | 20.0% | 12.2% | 7.8pp |

*(1) the amounts do not include revenues and the total cost of cross-promotion of Agora's different media (only the direct variable cost of campaigns carried out on advertising panels) if such promotion is executed without prior reservation.*
*(2) excluding non-cash cost of share-based payments.*

### 1. REVENUE

#### 1.1. Copy sales

***Tab. 10***

| | IV Q 2007 | IV Q 2006 | % change yoy | I-IV Q 2007 | I-IV Q 2006 | % change yoy |
|---|---|---|---|---|---|---|
| Average copy sales (in thousand of copies) | 1,232.6 | 1,131.7 | 8.9% | 1,117.4 | 1,078.5 | 3.6% |

The increase of average copy sales in the fourth quarter of 2007 results from more copies sold by *Poradnik Domowy (*up 16%), *Logo (*up 10%), *Cztery Katy* (up 7%) and launching a new monthly *Smart*.

#### 1.2. Advertising sales

In the fourth quarter of 2007, the Agora's magazines reached 6.8% share in the magazine advertising market (up ca 0.7 pp yoy).

**2. COST**

In the fourth quarter of 2007 increase in operating cost stems mainly from higher marketing and promotion cost as well as higher production costs (higher circulation and page counts of particular magazines).

***IV.C. OUTDOOR (AMS GROUP)***

***Tab. 11***

| in PLN million | IV Q 2007 | IV Q 2006 | % change yoy | I-IV Q 2007 | I-IV Q 2006 | % change yoy |
|---|---|---|---|---|---|---|
| Total sales, including: (1) | 47.7 | 44.4 | 7.4% | 171.0 | 151.0 | 13.2% |
| Advertising revenue | 47.5 | 43.9 | 8.2% | 168.7 | 149.8 | 12.6% |
| Total operating cost, including (1): | (41.1) | (40.5) | 1.5% | (149.5) | (131.0) | 14.1% |
| Execution of campaigns | (11.7) | (10.4) | 12.5% | (37.6) | (31.5) | 19.4% |
| Maintenance cost | (16.4) | (17.1) | (4.1%) | (62.1) | (59.2) | 4.9% |
| Staff cost (2) | (4.7) | (4.2) | 11.9% | (17.6) | (16.6) | 6.0% |
| Non-cash expense relating to share-based payments | (0.9) | (0.8) | 12.5% | (2.5) | (2.0) | 25.0% |
| Promotion and marketing | (1.0) | (1.6) | (37.5%) | (6.5) | (6.9) | (5.8%) |
| D&A | (4.3) | (3.2) | 34.4% | (15.0) | (11.4) | 31.6% |
| Other operating revenue /(cost) net | (0.2) | (1.0) | (80.0%) | (0.3) | 1.9 | - |
| EBIT | 6.6 | 3.9 | 69.2% | 21.5 | 20.0 | 7.5% |
| EBIT margin | 13.8% | 8.8% | 5.0pp | 12.6% | 13.2% | (0.6pp) |
| EBITDA | 10.8 | 6.9 | 56.5% | 35.9 | 30.7 | 16.9% |
| EBITDA margin | 22.6% | 15.5% | 7.1pp | 21.0% | 20.3% | 0.7pp |
| Operating EBITDA (2) | 11.7 | 7.7 | 51.9% | 38.4 | 32.7 | 17.4% |
| Operating EBITDA margin | 24.5% | 17.3% | 7.2pp | 22.5% | 21.7% | 0.8pp |
| Number of advertising faces (3) | 24,672 | 25,084 | (1.6%) | 24,672 | 25,084 | (1.6%) |

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

*(2) excluding non-cash cost of share-based payments.*

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

**1. REVENUE**

In the fourth quarter of 2007, outdoor advertising spending experienced dynamic growth rates yoy. The company's growth in ad sales was slightly below the market rate. This stems from the company panel portfolio structure, which lacks a sufficient number of Premium and Superpremium panels. AMS has been continuously growing the portfolio of those carriers.

In the fourth quarter of 2007, estimated share of AMS in the outdoor advertising market (excluding transit advertising and advertising described in the footnote no. 1 beneath the above table) stood at 21.9% (23.5% in 2007) *[8]*.

**2. COST**

The increase of campaign execution expense in the fourth quarter of 2007 is a consequence of higher number of advertising campaigns and orders for poster printing.

The decrease of maintenance cost in the fourth quarter of 2007 stems from volume reduction of standard billboards. In addition, in the fourth quarter of 2006 the company's rental fee cost line increased due to adjustments on the annual rental cost of panels by the roads.

Higher compensation expense in the fourth quarter of 2007 is a consequence of reorganization of sales and investment departments aimed at further development of Premium and Superpremium panel portfolio.

D&A increase in the fourth quarter of 2007 reflects 2006 and 2007 capex plan.

Lower promotion and marketing cost in the fourth quarter of 2007 is a result of a smaller number of social and marketing campaigns.

**3. IMPORTANT EVENTS**

AMS's sales team was ranked first among outdoor ad sales teams by advertising agencies and media houses during the annual prestigious ranking of the best advertising office service. The results of the Millward SMG/KRC survey appeared in Media *i Marketing Polska* weekly on 28 November 2007. The survey provided outdoor clients opinions and measured their satisfaction levels with respect to the service offered. This award reflects the changes the company was implementing during the last to years on its sales policies and client relationships.

In the fourth quarter of 2007, AMS won a tender and signed a three-year contract with Metro Warszawskie Sp. z o.o. on metro cars in Warsaw. In accordance with the contract, AMS gained exclusive to put its panels above the passengers' seats, on the floor-boards and on the windowpanes of the metro cars. The novelty of this contract is the possibility to install panels also on the carrier. The contract will strengthen AMS's leadership position in the public transit advertising market.

Also, in the fourth quarter of 2007, AMS received the *Sponsor of the Year* title in *the Arts & Business Awards 2007* for supporting culture, promoting cultural and educational events through its Poster Gallery contest. The Company was also nominated in the *Partnership Arts & Business category* for its cooperation with the Cracovian Festival Office during art and cultural projects. This commendation crowns the company's effort to implement its social responsibility program.

### *IV.D. RADIO*

Agora's radio group consists of 18 *Golden Oldies* (*Zlote Przeboje)* radio stations, six local radio stations (*Radio Roxy FM)* and a superregional news radio *TOK FM* broadcasting in nine cities. Agora's radio group also includes two AC format (Adult Contemporary) local stations.

Agora's radio stations operate in the largest urban areas in Poland.

### 1. LOCAL RADIO STATIONS

In the fourth quarter of 2007 local radio stations reported a positive operating EBITDA of PLN 3.7 million, PLN 1.2 million higher than last year. Full 2007 operating EBITDA amounted to PLN 5.4 million and was higher by PLN 5.1 million yoy. In the fourth quarter of 2007 the Company released a PLN 1.5 million provision.

In the fourth quarter of 2007, promotion and marketing cost increased by 18.2% yoy. It was due to the promotional campaign of new radio programmes with Marek Niedzwiecki in *Golden Oldies*. Decrease in staff cost (as in proceeding quarters) reflects operational changes implemented in 2006 and 2007.

The data presented in the table 12 is the sum of financials of local radio stations and Radio Division consolidated pro forma. The data below excludes the financials of *TOK FM*, described separately in point 2.

***Tab. 12***

| in PLN million | IV Q 2007 | IV Q 2006 | % change yoy | I-IV Q 2007 | I-IV Q 2006 | % change yoy |
|---|---|---|---|---|---|---|
| Total sales, including: (3) | 22.3 | 20.1 | 10.9% | 71.2 | 65.4 | 8.9% |
| Advertising revenue (1) | 21.8 | 19.8 | 10.1% | 69.4 | 62.8 | 10.5% |
| Total operating cost, including: (3) | (19.6) | (18.9) | 3.7% | (69.8) | (70.1) | (0.4%) |
| Staff cost (2) | (6.0) | (6.6) | (9.1%) | (23.2) | (26.1) | (11.1%) |
| Non-cash expense relating to share-based payments | (0.5) | (0.7) | (28.6%) | (1.9) | (2.4) | (20.8%) |
| Licenses, rental and telecommunication costs | (1.8) | (2.0) | (10.0%) | (7.2) | (7.7) | (6.5%) |
| D&A | (0.5) | (0.6) | (16.7%) | (2.1) | (2.6) | (19.2%) |
| Promotion and marketing (3) | (3.9) | (3.3) | 18.2% | (11.6) | (15.6) | (25.6%) |
| EBIT | 2.7 | 1.2 | 125.0% | 1.4 | (4.7) | - |
| EBIT margin | 12.1% | 6.0% | 6.1pp | 2.0% | (7.2%) | 9.2pp |
| EBITDA | 3.2 | 1.8 | 77.8% | 3.5 | (2.1) | - |
| EBITDA margin | 14.3% | 9.0% | 5.3pp | 4.9% | (3.2%) | 8.1pp |
| Operating EBITDA (2) | 3.7 | 2.5 | 48.0% | 5.4 | 0.3 | 1,700.0% |
| Operating EBITDA margin | 16.6% | 12.4% | 4.2pp | 7.6% | 0.5% | 7.1pp |

(1) *barter sales from Agora SA constituted 0.7% of advertising revenue in the period of January-December 2007 (6.9% in the same period of 2006).*

(2) *excluding non-cash cost of share-based payments.*

(3) *the amounts do not include the revenues and total cost of cross-promotion of Agora's different media (only the direct variable cost of campaigns carried out on advertising panels) if such promotion is executed without prior reservation.*

***Audience share of Agora's local radio stations group in 2007 and 2006***

***Tab. 13***

| Cumulative: | Audience share *[9](1)* |
|---|---|
| 2007 | 8.5% |
| 2006 | 9.3% |

*(1) excluding Kiss FM and Rock Radio Mazowsze.*

**2. SUPERREGIONAL RADIO *TOK FM***

In the fourth quarter of 2007, radio *TOK FM* continued to grow audience share and revenues.

In 2007, *TOK FM* commanded 5.7% share in the Warsaw audience market (in its target group) as compared to 4.2% in the same period of 2006. In all cities of *TOK FM* operations, its audience share amounted to 3.6% (2.8% in the same period of 2006).

In 2007 revenues of the station increased by 49% yoy and its operating loss reduced.

***NOTES***

*[1]Operating EBITDA = EBITDA + non-cash expense relating to share-based payments.*

*[2] The Group's net profit refers to "net profit attributable to equity holders of the parent".*

*[3] The estimates refer to advertising expenditures in five media (print, radio, TV, outdoor, internet). In this MD&A Agora has corrected the advertising figures for 2007 and the previous years. Unless explicitly stated otherwise, print and radio advertising market data referred to herein are based on Agora's estimates adjusted for average discount rate and are stated in current prices. Given the discount pressure and advertising time and space sell-offs, these figures may not be fully reliable and will be adjusted in the consecutive reporting periods. In case of print the data do not include classifieds, inserts and obituaries. The estimates are based on rate card data obtained from the following sources: Expert Monitor monitoring, Agora SA monitoring. Presented TV and internet figures for 2007 and the previous years are based on Starlink media house estimates and do not include sponsorships and teleshopping ads. According to Starlink estimates, including TV stations monitored from 2007 the advertising market grew by almost 21%. The figures presented in this MD&A refer to data of TV stations monitored during both years 2006 and 2007.*

*Internet estimates do not include, among others, classified advertisements (such as: recruitment or real estate services etc.). Outdoor advertising figures are based on Izba Gospodarcza Reklamy Zewnetrznej estimates.*

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

*Data on dailies readership are based on PBC General, research carried out by MillwardBrown SMG/KRC on a random, nationwide sample of Poles over 15 years of age. The following indices were used: CCS index (weekly readership index) - percentage of respondents reading at least one edition of the title within 7 days of the week and CPW index (average issue readership index). Size of the sample: nationwide PBC General for January- December 2007: n = 46,694, October-December 2007: n = 11,500; the Mazowieckie Region: October-December 2007: n = 1,524, November-December 2007: n = 1,035.*

*[5] Definition of ratios:*

$$\text{Net profit margin} = \frac{\text{Net profit (loss) attributable to equity holders of the parent}}{\text{Sales of finished products, merchandise and materials}}$$

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

$$\text{Return on equity} = \frac{\text{Net profit (loss) attributable to equity holders of the parent}}{\text{(Equity attributable to equity holders of the parent at the beginning of the period +Equity attributable to equity holders of the parent at the end of the period) / 2 / (1 for four quarters and 4 for quarterly results)}}$$

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

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

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

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

$$\text{Gearing ratio} = \frac{\text{Current and non-current liabilities from loans – cash and cash equivalents – highly liquid short-term monetary assets}}{\text{Total equity and liabilities}}$$

*Interest cover=* $\dfrac{\textit{Operating profit / (loss)}}{\textit{Interest charge}}$

*Free cash flow interest cover=* $\dfrac{\textit{Free cash flow *}}{\textit{Interest charge}}$

** Free cash flow =Net cash from operating activities + Purchase of property plant and equipment and intangibles*

*[6] Portal reach, real users, page views and spent time on the basis of Megapanel PBI/Gemius and cover internet users age 7 years and above, connecting to internets from the territory of Poland. Real users data of Agora's internet services are audited by Gemius SA.*

*[7] Average paid circulation of monthlies is based on the Agora's own data.*

*[8] Source: report on sales of outdoor companies prepared by Izba Gospodarcza Reklamy Zewnetrznej (IGRZ) which include: AMS SA, Cityboard Media, Clear Channel Poland, Stroeer Out of Home Media, News Outdoor Poland, Gigaboard Polska, Mini Media/Publiprox, Business Consulting, CAM Media and a new member – Defi Poland. The report is prepared on the basis of financial data provided by member companies of IGRZ.*

*[9] Audience market data referred herein are based on Radio Track surveys, carried out by MillwardBrown SMG/KRC (all places, all days and all quarters of an hour of listening) for local radiostations: in cities of broadcasting and in the age group of 15+, from January to December (sample for 2006: 45,545, sample for 2007: 45,691); for TOK FM: in Warsaw and in the age group of 15+, from January to December (sample for 2006: 5,999; sample for 2007: 6,021); for TOK FM: in cities of broadcasting and in the age group of 15+, from January to December (sample for 2006: 31,256, sample for 2007: 31,351).*

## V. ADDITIONAL INFORMATION

### 1. Significant contracts

In the fourth quarter 2007 the Company did not enter into any significant contract.

### 2. Important events

- In the current report published on 5 November 2007 the Company informed about exceeding the 10% threshold by BZ WBK AIB Asset Management SA with its registered seat in Poznan.
- In the current report published on 21 December 2007 the Company informed about the disposal of 1,062,202 shares of Agora SA held by Agora - Holding Sp. z o.o. for the execution of incentive programs.
- In the current report published on 3 January and 25 January 2008 the Company informed about a notification from BZ WBK AIB Asset Management S.A. with its registered seat in Poznan about more than 2% increase of the voting rights at a general meeting of shareholders of Agora SA.
- In the current report published on 7 February 2008 the Company informed about exceeding the 10% threshold by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA with its registered seat in Poznan. Furthermore, BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. informed the Company, in accordance with requirements of article 46 clause 1 item 1 of the Act on Investment Funds dated 27 May, 2004 (Official Journal, No 146, item 1,546, with amendments) that BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. commissioned the management of investment portfolios of the funds to BZ WBK AIB Asset Management S.A. As a result BZ WBK AIB Asset Management S.A. is also obliged to take aforementioned shares into account in any notifications submitted to the Company.
- In the current report published on 14 February 2008 the Company informed that on 13 February 2008 Agora obtained notification that on 12 February 2008 the company under the business name A2 Multimedia Sp. z o.o., with its seat in Warsaw was registered by the relevant state registry court.

### 3. Changes in ownership of shares and rights to shares by Management Board members in the fourth quarter of 2007 and until the date of publication of the report

***Tab. 14***

| a. shares | as of 31 December 2007 | decrease | increase | as of 30 September 2007 |
|---|---|---|---|---|
| Marek Sowa | 0 | 0 | 0 | 0 |
| Piotr Niemczycki | 1,548,373 | 0 | 0 | 1,548,373 |
| Zbigniew Bak | 68,006 | 0 | 0 | 68,006 |
| Jaroslaw Szalinski | 3,552 | 0 | 0 | 3,552 |

| b. rights to shares | as of 31December 2007 | decrease | increase | as of 30 September 2007 |
|---|---|---|---|---|
| Marek Sowa | 0 | 0 | 0 | 0 |
| Piotr Niemczycki | 0 | 0 | 0 | 0 |
| Zbigniew Bak | 0 | 0 | 0 | 0 |
| Jaroslaw Szalinski | 0 | 0 | 0 | 0 |

| c. shares | as of 20 February 2008 | decrease | increase | as of 31 December 2007 |
|---|---|---|---|---|
| Marek Sowa | 0 | 0 | 0 | 0 |
| Piotr Niemczycki | 1,548,373 | 0 | 0 | 1,548,373 |
| Zbigniew Bak | 68,006 | 0 | 0 | 68,006 |
| Jaroslaw Szalinski | 3,552 | 0 | 0 | 3,552 |

The members of the Management Board participate in the incentive plan described in the note 5 of the financial statements.

**4. Changes in ownership of shares or other rights to shares (options) by Supervisory Board members in the fourth quarter of 2007**

***Tab. 15***

| shares | as of 31 December 2007 | decrease | increase | as of 30 September 2007 |
|---|---|---|---|---|
| Slawomir S. Sikora | 0 | 0 | 0 | 0 |
| Tomasz Sielicki | 33 | 0 | 0 | 33 |
| Andrzej Szlezak | 0 | 0 | 0 | 0 |
| Richard Bruce Rabb | 0 | 0 | 0 | 0 |
| Sanford Schwartz | 0 | 0 | 0 | 0 |

The members of the Supervisory Board did not have any rights to shares (options).

**5. Shareholders entitled to exercise over 5% of total voting rights at the General Meeting of Shareholders, either directly or through affiliates as of the date of publication of the quarterly report**

To the best of the Company's knowledge as of the day of publication of the report for the fourth quarter of 2007, the following shareholders are entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company:

***Tab. 16***

| | no. of shares | % of share capital | no. of votes | % of voting rights |
|---|---|---|---|---|
| Agora-Holding Sp. z o.o. | 8,021,148 | 14.59% | 25,147,548 | 34.88% |
| Companies from Julius Baer Group (1): | - | - | - | 6.43% |
| Julius Baer Investment Management LLC (2) | 3,941,331 | 7.2% | 3,794,001 | 5.3% |
| Julius Baer International Equity Fund (1) | 3,858,789 | 7.02% | 3,858,789 | 5.35% |
| BZ WBK AIB Asset Management S.A. (3) | 10,120,227 | 18.41% | 10,120,227 | 14.04% |
| BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. (4) | 7,254,247 | 13.19% | 7,254,247 | 10.06% |

*(1) as of 14 March 2007*
*(2) as of 29 June 2006*
*(3) as of 23 January 2008*
*(4) as of 4 February 2008*

*Data update is performed on the basis of the official notifications from Shareholders entitled to over 5 % of total voting rights at the General Meeting of Shareholders.*

**AGORA GROUP**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**
**as at 31 December 2007 and for 3 and 12 month period ended thereon**

(all amounts in PLN thousands unless otherwise indicated)

| | As at 31 December 2007 | As at 30 September 2007 | As at 31 December 2006 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets:** | | | |
| Intangible assets | 289,871 | 288,501 | 284,165 |
| Property, plant and equipment | 619,281 | 625,274 | 647,779 |
| Investments | 3,162 | 3,145 | 7,470 |
| Investments in associates | - | - | 1,235 |
| Receivables and prepayments | 6,970 | 6,947 | 7,067 |
| Deferred tax assets | 37,026 | 32,189 | 30,677 |
| | 956,310 | 956,056 | 978,393 |
| **Current assets:** | | | |
| Inventories | 14,256 | 14,027 | 15,446 |
| Accounts receivable and prepayments | 249,257 | 223,148 | 195,380 |
| Income tax receivable | 2,199 | 200 | 7,373 |
| Short-term securities and other financial assets | 63,455 | 102,559 | 1,340 |
| Cash and cash equivalents | 337,660 | 271,401 | 334,705 |
| | 666,827 | 611,335 | 554,244 |
| **Total assets** | 1,623,137 | 1,567,391 | 1,532,637 |

Accompanying notes are an integral part of these interim consolidated financial statements.

(all amounts in PLN thousands unless otherwise indicated)

| | Note | As at 31 December 2007 | As at 30 September 2007 | As at 31 December 2006 |
|---|---|---|---|---|
| **Equity and liabilities** | | | | |
| **Equity attributable to equity holders of the parent:** | | | | |
| Share capital | | 54,978 | 54,978 | 54,978 |
| Share premium | | 290,506 | 290,506 | 290,506 |
| Foreign currency translation reserve | | (21) | - | - |
| Retained earnings and other reserves | | 870,220 | 831,753 | 819,685 |
| | | 1,215,683 | 1,177,237 | 1,165,169 |
| Minority interest | | (95) | (588) | (503) |
| **Total equity** | | 1,215,588 | 1,176,649 | 1,164,666 |
| **Non-current liabilities:** | | | | |
| Deferred tax liabilities | | 63,416 | 64,346 | 62,813 |
| Interest bearing loans and borrowings | 3 | 104,430 | 113,132 | 105,063 |
| Retirement severance provision | | 1,334 | 1,265 | 1,193 |
| Deferred revenues and accruals | | 767 | 935 | 1,276 |
| | | 169,947 | 179,678 | 170,345 |
| **Current liabilities:** | | | | |
| Retirement severance provision | | 130 | 94 | 143 |
| Accounts payable | | 138,742 | 112,360 | 107,023 |
| Income tax liabilities | | 177 | 7,220 | 55 |
| Short-term borrowings | 3 | 34,810 | 26,708 | 35,660 |
| Provisions | | 2,876 | 3,327 | 4,855 |
| Deferred revenues and accruals | | 60,867 | 61,355 | 49,890 |
| | | 237,602 | 211,064 | 197,626 |
| **Total equity and liabilities** | | 1,623,137 | 1,567,391 | 1,532,637 |
| Weighted average number of shares | | 54,977,535 | 54,977,535 | 54,977,535 |

Accompanying notes are an integral part of these interim consolidated financial statements.

(all amounts in PLN thousands unless otherwise indicated)

| | Note | Three months ended 31 December 2007 | Twelve months ended 31 December 2007 | Three months ended 31 December 2006 | Twelve months ended 31 December 2006 |
|---|---|---|---|---|---|
| Sales | 4 | 352,457 | 1,272,323 | 299,382 | 1,133,680 |
| Cost of sales | | (189,671) | (722,579) | (171,207) | (668,517) |
| **Gross profit** | | 162,786 | 549,744 | 128,175 | 465,163 |
| Selling expenses | | (98,544) | (318,835) | (72,626) | (298,542) |
| Administrative expenses | | (34,944) | (109,721) | (32,731) | (120,154) |
| Other operating income | | 5,727 | 17,835 | 4,369 | 19,228 |
| Other operating expenses | | (4,341) | (18,750) | (6,443) | (26,055) |
| **Operating profit** | 4 | 30,684 | 120,273 | 20,744 | 39,640 |
| Finance income | | 4,514 | 17,077 | 3,165 | 14,306 |
| Finance costs | | (2,302) | (8,034) | (1,853) | (7,742) |
| Share of results of associates | | - | 6 | 91 | 59 |
| **Profit before income taxes** | | 32,896 | 129,322 | 22,147 | 46,263 |
| Income tax expense | | (6,369) | (29,141) | (6,711) | (14,261) |
| **Net profit for the period** | | 26,527 | 100,181 | 15,436 | 32,002 |
| **Attributable to:** | | | | | |
| Equity holders of the parent | | 26,429 | 100,264 | 15,268 | 32,623 |
| Minority interests | | 98 | (83) | 168 | (621) |
| | | 26,527 | 100,181 | 15,436 | 32,002 |
| Earnings per share (in PLN) | | 0.48 | 1.82 | 0.27 | 0.59 |

Accompanying notes are an integral part of these interim consolidated financial statements.

(all amounts in PLN thousands unless otherwise indicated)

| | Equity attributable to equity holders of the parent | | | | | | Minority interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Treasury shares | Share premium | Foreign currency translation reserve | Retained earnings and other reserves | Total | | |
| **Three months ended 31 December 2007** | | | | | | | | |
| **As at 30 September 2007** | 54,978 | - | 290,506 | - | 831,753 | 1,177,237 | (588) | 1,176,649 |
| Net profit / (loss) for the period | - | - | - | - | 26,429 | 26,429 | 98 | 26,527 |
| Total recognized income and expense for the period | - | - | - | - | 26,429 | 26,429 | 98 | 26,527 |
| Additional contribution of minority shareholder | - | - | - | - | - | - | 395 | 395 |
| Share based payments | - | - | - | - | 12,038 | 12,038 | - | 12,038 |
| Currency translation | - | - | - | (21) | - | (21) | - | (21) |
| **As at 31 December 2007** | 54,978 | - | 290,506 | (21) | 870,220 | 1,215,683 | (95) | 1,215,588 |

(all amounts in PLN thousands unless otherwise indicated)

| | Equity attributable to equity holders of the parent | | | | | | Minority interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Treasury shares | Share premium | Foreign currency translation reserve | Retained earnings and other reserves | Total | | |
| **Twelve months ended 31 December 2007** | | | | | | | | |
| **As at 31 December 2006** | 54,978 | - | 290,506 | - | 819,685 | 1,165,169 | (503) | 1,164,666 |
| Net profit / (loss) for the period | - | - | - | - | 100,264 | 100,264 | (83) | 100,181 |
| Total recognized income and expense for the period | - | - | - | - | 100,264 | 100,264 | (83) | 100,181 |
| Additional contribution of minority shareholder | - | - | - | - | - | - | 1,557 | 1,557 |
| Adjustment from consolidation of subsidiaries previously accounted for using equity method | - | - | - | - | 160 | 160 | - | 160 |
| Share-based payments | - | - | - | - | 32,577 | 32,577 | - | 32,577 |
| Dividends declared | - | - | - | - | (82,466) | (82,466) | - | (82,466) |
| Dividends of subsidiaries | - | - | - | - | - | - | (1,066) | (1,066) |
| Currency translation | - | - | - | (21) | - | (21) | - | (21) |
| **As at 31 December 2007** | 54,978 | - | 290,506 | (21) | 870,220 | 1,215,683 | (95) | 1,215,588 |

(all amounts in PLN thousands unless otherwise indicated)

| | Equity attributable to equity holders of the parent | | | | | | Minority interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Treasury shares | Share premium | Foreign currency translation reserve | Retained earnings and other reserves | Total | | |
| **Twelve months ended 31 December 2006** | | | | | | | | |
| **As at 31 December 2005** | 56,758 | (119,952) | 353,646 | - | 834,938 | 1,125,390 | (207) | 1,125,183 |
| Net profit / (loss) for the period | - | - | - | - | 32,623 | 32,623 | (621) | 32,002 |
| Total recognized income and expense for the period | - | - | - | - | 32,623 | 32,623 | (621) | 32,002 |
| Additional contribution of minority shareholder | - | - | - | - | - | - | 1,013 | 1,013 |
| Adjustment from consolidation of subsidiaries previously accounted for using equity method | - | - | - | - | (144) | (144) | - | (144) |
| Share-based payments | - | - | - | - | 34,823 | 34,823 | - | 34,823 |
| Share buy-back for their redemption (1) | - | (34) | - | - | - | (34) | - | (34) |
| Redemption of own shares | (1,780) | 119,986 | (63,140) | - | (55,066) | - | - | - |
| Dividends declared | - | - | - | - | (27,489) | (27,489) | - | (27,489) |
| Dividends of subsidiaries | - | - | - | - | - | - | (688) | (688) |
| **As at 31 December 2006** | 54,978 | - | 290,506 | - | 819,685 | 1,165,169 | (503) | 1,164,666 |

(1) in 2006 the share buy-back programme was not carried out. The change in the value of treasury shares represents direct costs related to execution of this programme in 2005.

(all amounts in PLN thousands unless otherwise indicated)

| | Three months ended 31 December 2007 | Twelve months ended 31 December 2007 | Three months ended 31 December 2006 | Twelve months ended 31 December 2006 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit before income taxes | 32,896 | 129,322 | 22,147 | 46,263 |
| Adjustments for: | | | | |
| Share of results of associates | - | (6) | (91) | (59) |
| Depreciation of property, plant and equipment | 18,331 | 71,328 | 17,858 | 71,772 |
| Amortization of intangible assets | 1,870 | 7,001 | 2,144 | 5,177 |
| Interest, net | 1,966 | 7,031 | 1,616 | 6,373 |
| Profit on investing activities | 808 | (2,471) | 1,126 | (7,473) |
| (Decrease) / increase in provisions | (346) | (1,851) | (4,047) | 501 |
| (Increase) / decrease in inventories | (229) | 1,190 | (1,698) | 1,140 |
| (Increase) / decrease in receivables and prepayments | (26,118) | (53,278) | (7,167) | 16,900 |
| (Decrease) / increase in payables | 23,683 | 35,153 | 5,814 | (19,823) |
| (Decrease) / increase in deferred revenues and accruals | (629) | 10,324 | 4,445 | 6,334 |
| Other adjustments | 12,092 | 32,352 | 10,154 | 34,657 |
| Cash generated from operations | 64,324 | 236,095 | 52,301 | 161,762 |
| Income taxes (paid) / returned | (21,178) | (32,825) | (5,426) | (13,805) |
| **Net cash from operating activities** | 43,146 | 203,270 | 46,875 | 147,957 |
| **Cash flows from investing activities** | | | | |
| Proceeds from sale of property, plant and equipment, and intangibles | 164 | 974 | 2,716 | 3,157 |
| Disposal of subsidiaries (net of cash disposed) and associates | - | - | - | 694 |
| Disposal of financial assets | - | 231 | - | 2,436 |
| Loan repayment received | - | - | 40 | 317 |
| Interest received | 1,266 | 1,291 | 1,346 | 2,888 |
| Disposal of short-term securities | 38,734 | 39,781 | 39,691 | 138,129 |
| Purchase of property plant and equipment, and intangibles | (14,590) | (52,229) | (9,653) | (42,578) |
| Acquisition of subsidiary (net of cash acquired) and associates | (44) | 59 | (3,000) | (6,178) |
| Acquisition of short-term securities | - | (100,000) | - | (65,987) |
| Loans granted | (7) | (7) | - | - |
| **Net cash used in investing activities** | 25,523 | (109,900) | 31,140 | 32,878 |

(all amounts in PLN thousands unless otherwise indicated)

| | Three months ended 31 December 2007 | Twelve months ended 31 December 2007 | Three months ended 31 December 2006 | Twelve months ended 31 December 2006 |
|---|---|---|---|---|
| **Cash flows from financing activities** | | | | |
| Proceeds from borrowings | 176 | 960 | - | 584 |
| Repurchase of own shares (1) | - | - | (5) | (30) |
| Dividends paid to equity holders of the parent | (4) | (82,433) | (12) | (27,489) |
| Dividends paid to minority shareholders | - | (1,066) | - | (688) |
| Repayment of borrowings | - | - | (1,966) | (1,967) |
| Interest paid | (2,582) | (7,576) | (1,099) | (6,008) |
| Other | - | (300) | - | - |
| **Net cash used in financing activities** | (2,410) | (90,415) | (3,270) | (35,786) |
| **Net increase / (decrease) in cash and cash equivalents** | 66,259 | 2,955 | 74,745 | 145,049 |
| Cash and cash equivalents | | | | |
| At start of period | 271,401 | 334,705 | 259,960 | 189,656 |
| At end of period | 337,660 | 337,660 | 334,705 | 334,705 |

(1) in 2006 the share buy-back programme was not carried out. The cash outflow for repurchase of own shares represents direct costs related to execution of this programme in 2005.

Accompanying notes are an integral part of these interim consolidated financial statements.

(all amounts in PLN thousands unless otherwise indicated)

## 1. General information

Agora SA with its registered seat in Warsaw, Czerska 8/10 street ("the Company") principally produces, sells and promotes daily newspapers (including flagship *Gazeta Wyborcza*), magazines, and other periodicals and carries out the internet activity. The Company also controls 13 radio operating companies and is active in the outdoor segment through an acquired subsidiary, Art Marketing Syndicate SA ("AMS").

As at 31 December 2007 the Group comprised Agora SA and 19 subsidiaries. The group carries out activity in all major cities of Poland and in Ukraine – though Agora Ukraine LLC.

Financial statements were prepared as at and for three and twelve months ended 31 December 2007, with comparative figures presented as at and for three and twelve months ended 31 December 2006.

The financial statements were authorized for issue by the Management Board of Agora SA on 20 February 2008.

## 2. Statement of compliance

The Consolidated Balance Sheet as of 31 December 2007, the Consolidated Income Statement, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the three and twelve months ended 31 December 2007 have not been audited or reviewed. The Consolidated Balance Sheet as of 31 December 2006, the Consolidated Income Statement, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the twelve months ended 31 December 2006 have been audited by independent auditor who issued unqualified opinion.

The Condensed Consolidated Financial Statements have been prepared under International Accounting Standard 34 "Interim Financial Reporting", according to art. 45 point 1a-1c of Accounting Act (Official Journal from 2002, No 76, item 694 with amendments), regulations issued based on that Act and the Minister of Finance Decree of 19 October 2005 on current and periodic information provided by issuers of securities (Official Journal from 2005, No 209, item 1,744).

These unconsolidated and consolidated financial statements were prepared according to the International Financial Reporting Standards (IFRS), adopted by the European Union. As at the day of publication of these interim consolidated financial statements, taking into account the adaptation process of IFRS by the European Union, there are no differences between IFRS and IFRS adopted by the European Union with respect to the financial reporting of the Group.

Except for the change in presentation of spare parts described below, in the preparation of these condensed consolidated financial statements, the Group has followed the same accounting policies as used in the Consolidated Financial Statements as at 31 December 2006. The Consolidated Financial Statements as at 31 December 2006 have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB ("IFRIC") published in the form of regulations of the European Union. The 31 December 2007 Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements as at 31 December 2006.

Comparing to the financial statements for 2006 and already reported interim periods of 2007, the method of presentation of spare parts changed (so far there were a part of the inventories, now they are a part of fixed assets). These changes in the Company's opinion will result in the financial statements providing more relevant and reliable information about the effects of transactions.

| | Data presented in the report for the fourth quarter of 2006 | Restatement | Data presented in the report for the fourth quarter of 2007 |
|---|---|---|---|
| Property, plant and equipment as at 31 December 2006 | 644,637 | 3,142 | 647,779 |
| Inventories as at 31 December 2006 | 18,588 | (3,142) | 15,446 |
| Net cash from operating activities for twelve months ended 31 December 2006 | 147,059 | 898 | 147,957 |
| Net cash from investing activities for twelve months ended 31 December 2006 | 33,776 | (898) | 32,878 |

(all amounts in PLN thousands unless otherwise indicated)

| | Data presented in the report for the third quarter of 2007 | Restatement | Data presented in the report for the fourth quarter of 2007 |
|---|---|---|---|
| Property, plant and equipment as at 30 September 2007 | 622,235 | 3,039 | 625,274 |
| Inventories as at 30 September 2007 | 17,066 | (3,039) | 14,027 |

**3. Long-term and short-term borrowings**

As at 31 December 2007 the Group had a PLN 500 million long-term loan facilities available from Bank Pekao SA, on the basis of the loan agreement dated 5 April 2002. The loan liability as at 31 December 2007 amounted to PLN 139,240 thousand, including PLN 104,430 thousand presented in the non-current part.

Additionally, Group's subsidiary - Inforadio Sp. z o.o. has loan liability to a minority shareholder in the amount of PLN 20,839 thousand.

**4. Sales and segment information**

| | Three months ended 31 December 2007 | Twelve months ended 31 December 2007 | Three months ended 31 December 2006 | Twelve months ended 31 December 2006 |
|---|---|---|---|---|
| **Sales** | | | | |
| Press and other media | 307,198 | 1,109,935 | 258,811 | 997,904 |
| Outdoor | 54,270 | 199,318 | 48,829 | 183,634 |
| Consolidation eliminations | (9,011) | (36,930) | (8,258) | (47,858) |
| Consolidated | 352,457 | 1,272,323 | 299,382 | 1,133,680 |
| **Operating profit / (loss)** | | | | |
| Press and other media | 20,352 | 80,184 | 14,601 | 1,460 |
| Outdoor | 12,220 | 45,682 | 7,537 | 47,458 |
| Consolidation eliminations | (1,888) | (5,593) | (1,394) | (9,278) |
| Consolidated | 30,684 | 120,273 | 20,744 | 39,640 |
| **(Impairment loss recognized) / reversal of impairment losses** | | | | |
| Press and other media | (40) | (2,278) | (3,073) | (5,897) |
| Outdoor | (610) | (889) | (1,154) | (872) |
| Consolidation eliminations | - | - | - | - |
| Consolidated | (650) | (3,167) | (4,227) | (6,769) |
| Restructuring | | | | |
| Press and other media | - | - | 10 | 5,096 |
| Outdoor | - | - | - | - |
| Consolidation eliminations | - | - | - | - |
| Consolidated | - | - | 10 | 5,096 |

(all amounts in PLN thousands unless otherwise indicated)

## 5. Share-based payment

In Agora Group the share incentive plans fuelled by Agora's shares are run. This plans fall within the scope of IFRS 2 "Share-based Payment" which came into force from 1 January 2005.

Eligible employees are entitled to purchase investment certificates in closed end mutual fund. The fair value of certificates is determined by applying valuation techniques and is included in staff cost with corresponding increase in equity.

According to transitional provisions of IFRS 2, the standard should be applied to equity instruments that were granted after 7 November 2002 and vested or will vest after 1 January 2005. All restricted stock purchased within incentive plans up to 2004 inclusive was granted to employees either before 7 November 2002 or was vested before 1 January 2005. Consequently, shares purchased by employees up to the end of 2004 fall outside scope of IFRS 2 and they do not affect the income statement of the Group.

During periods covered by these financial statements, the following incentive plans were carried out in the Group:

A. Incentive plan based on investment certificates (carried out from 2005)

B. Employee Stock Purchase Plan and Stock Incentive Plan for management (carried out until the end of 2004).

A. Incentive plan based on investment certificates (carried out from 2005)

Eligible employees participate in an incentive plan based on investment certificates in Participatory Closed Mutual Fund (PCMF), managed by Skarbiec Towarzystwo Funduszy Inwestycyjnych SA.

The number of certificates granted depends on meeting performance criteria, not on market conditions.

The details about the incentive plans carried out in 2005 and in 2006 were presented in the consolidated financial statements for the year of 2006.

In 2007 another incentive plan based on investment certificates was introduced.

The summary of new Incentive Plan 2007:

| | Incentive Plan 2007<br>(certificates E) |
|---|---|
| Grant date: | 21 December 2007 |
| Month in which certificates are purchased by eligible employees | August - September 2007 |
| Total number of certificates purchased by employees of the Group | 846,075 |
| Vesting date and vesting period | Certificates E<br>25 June 2008, 9 months (October 2007 – June 2008)<br>1.0 Agora's share falls on each certificate E. |
| Vesting conditions | described in incentive plan regulations, specifically the employment in Group companies as at the vesting date |
| Purchase price of each certificate | PLN 1 |
| Type of the plan | equity settled |
| During the vesting period Agora Holding Sp. z o.o. has a irrevocable, unconditional right to buy back certificates for purchase price | |

The fair value of certificates is determined by applying valuation model, which takes into consideration such variables as: market value of Agora's shares, which are disposed on behalf of the investment fund, specific characteristics and running costs of the fund as well as the kind of shares and rights associated with the certificates. Consequently, the discount factor was established at the level of 23.6% (detailed description of the valuation model is disclosed below).

The fair value of certificates is established as at the grant date and posted to the income statement from the month following the month in which certificates are purchased by eligible employees. The costs are recognized over the vesting period.

Historical ratio of forfeited certificates (FR ratio, described below) adjusts the number of certificates granted included in the calculation of incentive plan cost (due to non-compliance with conditions attached to the scheme - obligation to work in the Group, in particular).

The fair value of investment certificates and the total cost of the Group as at the grant date were determined using the following formula:

FMV = (B-S@grant date) x (1-CD),
Cost = FMV x IC x (1-FR)

where:

1. FMV - fair market value of certificate as at the grant date,
2. B-S@grant date - the value of certificates as at the grant date, calculated using Black - Scholes model (B-S), with following assumptions:
    a. the value of certificates as at the grant date was determined as weighted average of 6 month European call option for Agora's shares as at that date for certificates vesting on 25 June 2008,
    b. parameters of B-S model:

| | | Incentive Plan 2007 (certificates E) |
|---|---|---|
| Market value of base instrument (Agora' share) | PLN | 55.0 |
| Volatility of 6 month option | % | 25.6% |
| Exercise price of the option | PLN | 1 |
| Risk-free rate | % | 5.9 |
| 6 month option value | PLN | 54.0 |

3. CD - discount for closed mutual fund, representing:
    a. valuation of closed funds assets,
    b. rights of owners of PCMF certificates,
    c. PCMF's running costs.
4. IC - total number of certificates in PCMF purchased by employees,
5. FR - factor which adjusts the number of certificates by the historic percentage of forfeited shares by employees which did not fulfill vesting conditions in past schemes,
6. The valuation calculation:

| | | Incentive Plan 2007 (certificates E) |
|---|---|---|
| B-S@grant date | PLN | 54.0 |
| CD | % | 23.6 |
| Market value of certificates as at grant date | PLN | 41.3 |
| FR | % | 2.7 |
| IC | in number of certificates | 846,075 |
| Total cost | PLN thousand | 33,982 |

The impact of share-based payments on the financial statements of the Agora Group:

(all amounts in PLN thousands unless otherwise indicated)

| | Three months ended 31 December 2007 | Twelve months ended 31 December 2007 | Three months ended 31 December 2006 | Twelve months ended 31 December 2006 |
|---|---|---|---|---|
| Income statement – staff cost | 12,038 | 32,577 | 9,983 | 34,823 |
| Equity | 12,038 | 32,577 | 9,983 | 34,823 |

The impact on the financial statements of the Group described above, result exclusively from recognition of costs in 2007 of the plans carried out in 2005, 2006 and new incentive plan of 2007 (in 2006 of the plans carried out in 2005 and 2006).

The table below shows the number of certificates purchased by the employees of the Group in incentive schemes (in number of certificates, including certificates purchased by the Management Board of Agora SA):

| | Three months ended 31 December 2007 | Twelve months ended 31 December 2007 | Three months ended 31 December 2006 | Twelve months ended 31 December 2006 |
|---|---|---|---|---|
| At the beginning of the period | 406,102 | 1,332,057 | 498,563 | 865,168 |
| Granted | 846,075 | 846,075 | 836,586 | 836,586 |
| Forfeited | (4,950) | (21,327) | (3,092) | (15,379) |
| Vested | - | (909,578) | - | (354,318) |
| At the end of the period | 1,247,227 | 1,247,227 | 1,332,057 | 1,332,057 |

Investment certificates acquired by Management Board of Agora SA (number of certificates):

| | As at 31 December 2007 | Vested in 2007 | Granted in 2007 | As at 31 December 2006 |
|---|---|---|---|---|
| Incentive plan 2005 (A and B series) | | | | |
| Marek Sowa (1) | - | - | - | - |
| Wanda Rapaczynski (2) | - | (145,321) | - | 145,321 |
| Piotr Niemczycki | - | (8,143) | - | 8,143 |
| Zbigniew Bak | - | (11,896) | - | 11,896 |
| Jaroslaw Szalinski | - | (7,462) | - | 7,462 |
| | - | (172,822) | - | 172,822 |
| Incentive plan 2006 (C and D series) | | | | |
| Marek Sowa (1) | - | - | - | - |
| Wanda Rapaczynski (2) | 11,155 | (11,156) | - | 22,311 |
| Piotr Niemczycki | 8,143 | (8,143) | - | 16,286 |
| Zbigniew Bak | 5,948 | (5,948) | - | 11,896 |
| Jaroslaw Szalinski | 7,919 | (7,919) | - | 15,838 |
| | 33,165 | (33,166) | - | 66,331 |
| Incentive plan 2007 (E series) | | | | |
| Marek Sowa (1) | 10,000 | - | 10,000 | - |
| Piotr Niemczycki | 13,480 | - | 13,480 | - |
| Zbigniew Bak | 19,694 | - | 19,694 | - |
| Jaroslaw Szalinski | 14,535 | - | 14,535 | - |
| | 57,709 | - | 57,709 | - |

(1) Marek Sowa has been the President and the Member of the Management Board since 30 August 2007.

(2) Wanda Rapaczynski was the President and the Member of the Management Board of Agora SA till 30 August 2007

(all amounts in PLN thousands unless otherwise indicated)

Vesting date and vesting period for purchased certificates:

| Ceritificates | Vesting date | Vesting period | Time interval | No. of cerificates |
|---|---|---|---|---|
| A | 25 June 2006 | 8 months | November 2005 – June 2006 | 27,502 |
| B | 25 June 2007 | 20 months | November 2005 – June 2007 | 172,822 |
| C | 25 June 2007 | 9 months | October 2006 – June 2007 | 33,166 |
| D | 25 June 2008 | 21 months | October 2006 – June 2008 | 33,165 |
| E | 25 June 2008 | 9 months | October 2007 – June 2008 | 57,709 |

In the fourth quarter of 2007 non-cash expense of the investment certificates acquired by Management Board recognized according to IFRS 2 amounted to PLN 836 thousand (in the fourth quarter of 2006: PLN 1,815 thousand). Accumulated expense for the year of 2007 amounted to PLN 4,529 thousand (for the year of 2006: PLN 6,816 thousand).

B. Employee Stock Purchase Plan and Stock Incentive Plan for management (carried out until the end of 2004)

In these plans, Agora Holding Sp. z o.o. sold Agora's shares to eligible employees for fixed price of PLN 1 for each share with following restrictions: they were registered, not admitted for public trade and could not be sold for a period up to 10 years.

During the vesting period Agora Holding Sp. z o.o. has an irrevocable right to buy back shares for PLN 1 in case of non-compliance with share incentive plan regulations by employees.

The number of shares granted depended on eligible managers meeting performance criteria (non-market criteria). Movements in the shares outstanding are as follows (including shares granted to Members of the Management Board of Agora SA):

| | Three months ended 31 December 2007 | Twelve months ended 31 December 2007 | Three months ended 31 December 2006 | Twelve months ended 31 December 2006 |
|---|---|---|---|---|
| At the beginning of the period | 1,780,745 | 3,280,013 | 3,280,013 | 5,164,378 |
| Granted | - | - | - | - |
| Forfeited | (191) | (2,566) | - | (13,974) |
| Vested | - | (1,496,893) | - | (1,870,391) |
| At the end of the period | 1,780,554 | 1,780,554 | 3,280,013 | 3,280,013 |

The shares granted have vesting and selling restrictions (with selling obligation) for the period from 5 to 10 years (up to 2010).

The shares not yet vested as at 31 December 2004 were granted before 7 November 2002; consequently they are outside the scope of IFRS 2 (they are not valuated and recognized in the books). As a result they do not affect the results and equity of the Group.

All shares have full dividend and voting rights.

The movements in shares purchased by Management Board of Agora are shown in point V.3 of the Management Discussion and Analysis.

(all amounts in PLN thousands unless otherwise indicated)

## 6. Provisions and impairment losses

In the period from 1 January 2007 to 31 December 2007 the following impairment losses were changed (in brackets figures for the fourth quarter of 2007):

- impairment loss for receivables: decrease by PLN 6,844 thousand (decrease by PLN 3,034 thousand),
- impairment loss for financial assets: decrease by PLN 3,786 thousand (no changes),
- impairment loss for inventory: increase by PLN 7,831 thousand (increase by PLN 5,084 thousand),
- impairment loss for property, plant and equipment and intangible assets: increase by PLN 7 thousand (increase by PLN 589 thousand).

Additionally in the period from 1 January 2007 to 31 December 2007 the following provisions were changed:

- provision for certain and probable losses increase by 1,202 thousand (decrease by PLN 144 thousand),
- provision for restructuring: decrease by PLN 3,181 thousand (decrease by PLN 307 thousand),
- retirement severance provision: increase by PLN 128 thousand (increase by PLN 105 thousand).

## 7. Equity

According to IAS 29 "Financial Reporting in Hyperinflationary Economies", the Polish economy was regarded as hyperinflationary up to 1996.

IAS 29 requires the share capital of the Group to be restated by applying the general price index.

Retrospective application of IAS 29 with regard to equity would result in an increase of share capital of the Group with corresponding decrease of retained earnings by the same amount.

Consequently, the restatement of equity due to hyperinflation does not affect the value of equity of the Group, only the structure of the equity is affected.

Polish regulations, commercial code in particular, do not rule the way how this type of adjustment should be carried out (especially adjustments to equity of companies).

Consequently, due to lack of impact on equity of the Group following the hyperinflationary adjustment and lack of regulations in Polish law, the Group did not post any adjustment to equity as a consequence of IAS 29 application.

## 8. Capital and investment commitments

Contractual capital and investment commitments (mainly relating to fixed and intangible assets) existing at the balance sheet date amounted to PLN 7,348 thousand (30 September 2007: PLN 3,541 thousand, 31 December 2006: PLN 3,037 thousand).

## 9. Contingencies

As of 31 December 2007 the Group had contingent liabilities in respect of guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, other than those noted below.

| Benefiting party | Debtor | Valid till | Amount | Provisions booked |
|---|---|---|---|---|
| Guarantees provided by Agora SA | | | | |
| Bank Pekao SA | Agora's employees | 31 Mar 2008 - 30 Oct 2010 | 780 | - |
| Guarantees provided by AMS SA | | | | |
| Gmina Wroclaw | AMS SA | 31 Mar 2009 - 31 Dec 2009 | 752 | - |
| Miejskie Zaklady Autobusowe Sp. z o.o. | AMS SA | 30 Nov 2008 | 115 | - |
| Others | AMS SA | 31 Dec 2008 | 109 | - |
| | | | 1,756 | - |

The total amount of the guarantees does not exceed 10% of the Group's equity.

**Panels situated near the side of a road**

Many AMS's advertising panels are located on the wayside. Placing an advertising panel near the side of a public road is legally allowable when one has a positive administrative decision of road managers for a fixed term – from few to a dozen or so months. Road managers render these decisions on the basis of the Public Roads Act and the Code of Administrative Procedure. The administrative decision is also needed each time to extend the time for using the side of a road for AMS's purposes. So far, the company has been installing its panels assuming that only significant changes in the road infrastructure could be the reason for not receiving permission for using the wayside. AMS has based its assumptions on the confidence principle as for local authorities and many years' common practice.

Before expiration of each decision AMS has applied for extending the usage time. AMS usually has received positive decision – often with delay – when the previous permission had already been expired. Panels have been dismounted because of existing road reconstructions very rarely.
During last months, especially in Warsaw, AMS did not receive positive decisions as for prolongation of the wayside use or received permission refusals in the number of cases, which increased significantly. As at 15 February 2008:

(i) the proceedings were opened against AMS to impose sanctions for occupying the wayside without proper permission with 18 advertising panels; none of them have been situated near the side of the road,

(ii) the proceedings were opened against AMS for occupying the waysides without proper permission with its 21 advertising panels: 4 proceedings were closed in favor of the company; the fact-finding procedure was initiated for 15 of them,

(iii) besides the cases described in point (i), AMS received negative decisions as for using the wayside for its 54 advertising panels and its subsidiary Media System Sp. z o. o. for 17 panels (AMS appealed against decisions to the Municipal Court of Appeal or to the Regional Administrative Court).

(iv) besides the cases described in point (ii), AMS is awaiting delayed decisions as for prolongation of occupying the wayside with its 34 advertising panels and its subsidiary Media System Sp. z o.o. – for 14 advertising panels.

When AMS receives a negative decision, it appeals in accordance with legal regulations. AMS has implemented relevant procedures as for appealing in such cases.

So far, the appealed decisions concerning administrative penalties have been reconsidered in favor of AMS. The Management Board of AMS judges that also in the future in most of the cases, the final effects will be similar to those from the past. Therefore, the Management Board of AMS decided to set up provisions for all fees connected with advertising panels for which AMS awaited positive decisions and for all administrative penalties for occupying the waysides without proper permission when the probability of paying them was high. As at 31 December 2007, the provided provisions totaled PLN 3,890 thousand.

Due to increasing business risk, the company has started in Warsaw to move its Backlight (18, 32 square meters) and Cityscroll (9 square meters) panels and mount them in new localizations outside the waysides. These activities in the long term should underpin the sale potential of Premium and Superpremium segment. From the beginning of the year to 31 December 2007, 210 new outdoor exposure sites were attached to the company's sale offer in Warsaw.

Despite the fact that the appealed decisions were reconsidered in favor of AMS in the past, the risk still exists that AMS will not receive permission for occupying the waysides. Putting advertising panels without proper permission there may impose sanctions on AMS in accordance with the Public Roads Act. Therefore, AMS may be forced to dismount these panels which may depress the AMS's financial result in future. The Management Board of AMS manages the risk by appealing against decisions in compliance with the effective law and building its panel network on lands which are not qualified as the waysides. The Management Board of AMS will monitor the legal situation concerning the use of waysides and adjust its accounting policy as for providing provisions and recognition of impairment losses connected with its assets.

## 10. Court cases

As for 31 December 2007 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.

(all amounts in PLN thousands unless otherwise indicated)

## 11. Seasonality

Advertising revenues are subject to seasonality – revenues earned in the first and third quarter are lower than in the second and fourth quarter.

## 12. Related-party transactions

(a) Management Board's remuneration

Remuneration of Management Board members of Agora SA paid pursuant to employment and management contracts amounted to PLN 2,903 thousand (twelve months ended 31 December 2006: PLN 2,405 thousand).

Management Board members did not acquire shares in the period of twelve months ended 31 December 2007.

(b) Other related parties

There were no material transactions and balances with entities other that disclosed below:

| | Three months ended 31 December 2007 | Twelve months ended 31 December 2007 | Three months ended 31 December 2006 | Twelve months ended 31 December 2006 |
|---|---|---|---|---|
| **Related companies** | | | | |
| Sales | 1,021 | 1,458 | 96 | 2,480 |
| Purchases of goods and services | (396) | (2,268) | (868) | (5,747) |
| Other operating income | 159 | 451 | - | - |

| | As at 31 December 2007 | As at 30 September 2007 | As at 31 December 2006 |
|---|---|---|---|
| **Related companies** | | | |
| Receivables | 39 | 204 | 139 |
| Payables | 630 | 383 | 467 |
| Loans granted and debt securities | - | - | 1,333 |

All transactions carried out between related parties are of routine nature.

## 13. Selected consolidated financial data together with translation into EURO

Selected financial data presented in the financial statements has been translated into EURO in the following way:

- income statement and cash flow statement figures using arithmetic average of exchange rates published by NBP and ruling on the last day of each month during the first, the second and the third and the fourth quarter. For the year of 2007 EURO 1 = PLN 3.7768; for the year of 2006 EURO 1 = PLN 3.8976.
- balance sheet figures using the average exchange rates published by NBP and ruling as at the balance sheet date. Exchange rate as at 31 December 2007 – EURO 1 = 3.5820; as at 31 December 2006 – EURO 1 = PLN 3.8312.

| | PLN thousand | | EURO thousand | |
|---|---|---|---|---|
| | Twelve months ended 31 December 2007 | Twelve months ended 31 December 2006 | Twelve months ended 31 December 2007 | Twelve months ended 31 December 2006 |
| Sales | 1,272,323 | 1,133,680 | 336,879 | 290,866 |
| Operating profit | 120,273 | 39,640 | 31,845 | 10,170 |
| Profit before income taxes | 129,322 | 46,263 | 34,241 | 11,870 |
| Net profit for the period attributable to equity holders of the parent | 100,264 | 32,623 | 26,547 | 8,370 |
| Net cash from operating activities | 203,270 | 147,957 | 53,821 | 37,961 |
| Net cash used in investing activities | (109,900) | 32,878 | (29,099) | 8,435 |
| Net cash used in financing activities | (90,415) | (35,786) | (23,940) | (9,182) |
| Net increase / (decrease) in cash and cash equivalents | 2,955 | 145,049 | 782 | 37,215 |
| Total assets | 1,623,137 | 1,532,637 | 453,137 | 400,041 |
| Non-current liabilities | 169,947 | 170,345 | 47,445 | 44,463 |
| Current liabilities | 237,602 | 197,626 | 66,332 | 51,583 |
| Equity attributable to equity holders of the parent | 1,215,683 | 1,165,169 | 339,387 | 304,126 |
| Share capital | 54,978 | 54,978 | 15,348 | 14,350 |
| Weighted average number of shares | 54,977,535 | 54,977,535 | 54,977,535 | 54,977,535 |
| Earnings per share (in PLN / in EURO) | 1.82 | 0.59 | 0.48 | 0.15 |
| Book value per share (in PLN / in EURO) | 22.11 | 21.19 | 6.17 | 5.53 |

(all amounts in PLN thousands unless otherwise indicated)

## 14. Description of the Group

The list of companies from the Group:

| | | % of shares held (effectively) | |
|---|---|---|---|
| | **Subsidiaries consolidated** | 31 December 2007 | 30 September 2007 |
| 1 | Agora Poligrafia Sp. z o.o., Tychy | 100.0% | 100.0% |
| 2 | Art Marketing Syndicate SA (AMS), Poznan | 100.0% | 100.0% |
| 3 | Radio Trefl Sp. z o.o., Sopot (1) | 100.0% | 99.9% |
| 4 | IM 40 Sp. z o.o., Warsaw | 72.0% | 72.0% |
| 5 | Grupa Radiowa Agory Sp. z o.o., Warszawa | 100.0% | 100.0% |
| 6 | Barys Sp. z o.o., Tychy (1) | 100.0% | 89.8% |
| 7 | Agencja Reklamowa Jowisz Sp. z o.o., Jelenia Gora (1) | 100.0% | 100.0% |
| 8 | Adpol Sp. z o.o., Warsaw (2) | 100.0% | 100.0% |
| 9 | Akcent Media Sp. z o.o., Poznan (2) | 100.0% | 100.0% |
| 10 | Multimedia Plus Sp. z o.o., Srem (1) | 100.0% | 100.0% |
| 11 | Lokalne Radio w Opolu Sp. z o.o., Opole (1) | 100.0% | 100.0% |
| 12 | Inforadio Sp. z o.o., Warszawa | 66.1% | 66.1% |
| 13 | Regionalne Przedsiębiorstwo Zwiazkowe Sp. z o.o., Tychy (1) | 100.0% | 100.0% |
| 14 | Tres Sp. z o.o., Sieradz (1) | 100.0% | 100.0% |
| 15 | Agora TC Sp. z o.o., Warsaw | 100.0% | 100.0% |
| 16 | BOR Sp. z o.o., Poznan | 100.0% | 100.0% |
| 17 | Jan Babczyszyn Radio Jazz FM Sp. z o.o., Poznan (1) | 100.0% | 100.0% |
| 18 | Bis Media Sp. z o.o., Lublin (1) | 100.0% | 100.0% |
| 19 | Agora Ukraine LLC, Kiev | 100.0% | 100.0% |
| | **Companies excluded from consolidation and equity accounting** | | |
| 20 | Polskie Badania Internetu Sp. z o.o., Warsaw | 20.0% | 20.0% |
| 21 | Projekt Inwestycyjny Sp. z o.o., Warsaw | 100.0% | 100.0% |
| 22 | Polskie Badania Outdooru Sp. z o.o., Warsaw (2) | 41.0% | 41.0% |
| 23 | Media System Sp. z o.o., Warsaw (2) | 100.0% | 100.0% |

(1) indirectly through GRA Sp. z o.o.
(2) indirectly through AMS SA

## 15. Post-balance sheet events

- On 15 January 2008 Agora executed annex no.6 to the long - term loan agreement up to PLN 500 million entered into on 5 April 2002 with Bank PKO S.A. with its seat in Warsaw. The annex changed the rules of establishing certain types of collateral for the credit. In the Company's judgment the rules of the annex are neutral, because do not increase the level of collaterals.
- On 14 February 2008 Agora informed that that on 12 February 2008 the company under the business name A2 Multimedia Sp. z o.o. ("A2 Multimedia"), with its seat in Warsaw was registered by the relevant state registry court. The company's scope of activities entails i.e. production and distribution of digital video formats via the Internet. The share capital of A2 Multimedia amounts to PLN 4 million and consists of 8 thousand shares of PLN 500 nominal value each. Agora owns 4 thousand shares which constitutes 50% of A2 Multimedia's share capital. Remaining 50% of A2 Multimedia's share capital, owns ATM Grupa SA with its registered seat in Bielany Wroclawskie.

  Additional information:
  - the shares in A2 Multimedia were covered by cash,
  - A2 Multimedia was set up on the basis of the company foundation agreement entered into on 18 December 2007 between Agora SA with its registered seat in Warsaw and ATM Grupa SA with its registered seat in Bielany Wroclawskie,
  - the book value of the acquired shares in the Agora's books is PLN 2 million,
  - before the transaction there was no connection between Agora SA and ATM Grupa SA.

(all amounts in PLN thousands unless otherwise indicated)

## 16. Condensed unconsolidated financial statements of Agora SA

### Unconsolidated balance sheet as at 31 December 2007

| | As at 31 December 2007 | As at 30 September 2007 | As at 31 December 2006 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets:** | | | |
| Intangible assets | 84,392 | 83,288 | 84,088 |
| Property, plant and equipment | 413,686 | 421,933 | 448,722 |
| Investments | 305,372 | 304,956 | 309,090 |
| Receivables and prepayments | 61,617 | 68,151 | 79,546 |
| Deferred tax assets | 20,529 | 17,470 | 14,429 |
| | 885,596 | 895,798 | 935,875 |
| **Current assets:** | | | |
| Inventories | 12,048 | 11,883 | 13,294 |
| Accounts receivable and prepayments | 192,887 | 194,960 | 163,103 |
| Income tax receivable | 2,107 | - | 5,281 |
| Short-term securities and other financial assets | 63,856 | 102,815 | 1,045 |
| Cash and cash equivalents | 308,139 | 236,478 | 290,806 |
| | 579,037 | 546,136 | 473,529 |
| **Total assets** | 1,464,633 | 1,441,934 | 1,409,404 |

(all amounts in PLN thousands unless otherwise indicated)

| | As at 31 December 2007 | As at 30 September 2007 | As at 31 December 2006 |
|---|---|---|---|
| **Equity and liabilities** | | | |
| **Equity:** | | | |
| Share capital | 54,978 | 54,978 | 54,978 |
| Share premium | 290,506 | 290,506 | 290,506 |
| Other reserves | 64,015 | 53,790 | 36,357 |
| Retained earnings | 697,935 | 693,582 | 701,901 |
| | 1,107,434 | 1,092,856 | 1,083,742 |
| **Non-current liabilities:** | | | |
| Deferred tax liabilities | 62,763 | 64,937 | 64,954 |
| Interest bearing loans and borrowings | 104,430 | 113,132 | 104,610 |
| Retirement severance provision | 1,168 | 1,139 | 1,077 |
| Deferred revenues and accruals | 4 | 1 | - |
| Other | 186 | 213 | 71 |
| | 168,551 | 179,422 | 170,712 |
| **Current liabilities:** | | | |
| Retirement severance provision | 97 | 92 | 140 |
| Accounts payable | 112,780 | 92,676 | 83,928 |
| Deferred tax liabilities | - | 5,663 | - |
| Short-term borrowings | 34,810 | 26,708 | 35,415 |
| Provisions | 1,308 | 1,413 | 3,725 |
| Deferred revenues and accruals | 39,653 | 43,104 | 31,742 |
| | 188,648 | 169,656 | 154,950 |
| **Total equity and liabilities** | 1,464,633 | 1,441,934 | 1,409,404 |
| Weighted average number of shares | 54 977 535 | 54 977 535 | 54 977 535 |

(all amounts in PLN thousands unless otherwise indicated)

**Unconsolidated income statement for three and twelve months ended 31 December 2007**

| | Three months ended 31 December 2007 | Twelve months ended 31 December 2007 | Three months ended 31 December 2006 | Twelve months ended 31 December 2006 |
|---|---|---|---|---|
| Sales | 283,031 | 1,034,568 | 237,122 | 936,134 |
| Cost of sales | (147,764) | (556,827) | (132,084) | (537,416) |
| **Gross profit** | 135,267 | 477,741 | 105,038 | 398,718 |
| Selling expenses | (95,140) | (326,408) | (68,446) | (304,603) |
| Administrative expenses | (29,449) | (91,786) | (29,699) | (105,662) |
| Other operating income | 3,512 | 12,759 | 3,811 | 12,989 |
| Other operating expenses | (2,955) | (13,815) | (4,225) | (21,485) |
| **Operating profit / (loss)** | 11,235 | 58,491 | 6,479 | (20,043) |
| Finance income | 4,987 | 59,857 | 4,371 | 39,863 |
| Finance costs | (7,954) | (24,026) | (15,894) | (26,561) |
| **Profit / (loss) before income taxes** | 8,268 | 94,322 | (5,044) | (6,741) |
| Income tax expense | (3,915) | (15,822) | (3,253) | (3,240) |
| **Net profit / (loss) for the period** | 4,353 | 78,500 | (8,297) | (9,981) |
| Earnings per share (in PLN) | 0.08 | 1.43 | (0.15) | (0.18) |

(all amounts in PLN thousands unless otherwise indicated)

**Unconsolidated statement of changes in equity for three and twelve months ended 31 December 2007**

| | Share capital | Treasury shares | Share premium | Other reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| **Three months ended 31 December 2007** | | | | | | |
| **As at 30 September 2007** | 54,978 | - | 290,506 | 53,790 | 693,582 | 1,092,856 |
| Net profit | - | - | - | - | 4,353 | 4,353 |
| Share-based payments | - | - | - | 10,225 | - | 10,225 |
| **As at 31 December 2007** | 54,978 | - | 290,506 | 64,015 | 697,935 | 1,107,434 |
| **Twelve months ended 31 December 2007** | | | | | | |
| **As at 31 December 2006** | 54,978 | - | 290,506 | 36,357 | 701,901 | 1,083,742 |
| Net profit | - | - | - | - | 78,500 | 78,500 |
| Share-based payments | - | - | - | 27,658 | - | 27,658 |
| Dividends declared | - | - | - | - | (82,466) | (82,466) |
| **As at 31 December 2007** | 54,978 | - | 290,506 | 64,015 | 697,935 | 1,107,434 |

(all amounts in PLN thousands unless otherwise indicated)

| | Share capital | Treasury shares | Share premium | Other reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| **Twelve months ended 31 December 2006** | | | | | | |
| **As at 31 December 2005** | 56,758 | (119,952) | 353,646 | 6,336 | 794,291 | 1,091,079 |
| Net profit/(loss) | - | - | - | - | (9,981) | (9,981) |
| Share-based payments | - | - | - | 30,166 | - | 30,166 |
| Share buy-back for their redemption (1) | - | (34) | - | - | - | (34) |
| Redemption of own shares | (1,780) | 119,986 | (63,140) | - | (55,066) | - |
| Dividends declared | - | - | - | - | (27,488) | (27,488) |
| Other | - | - | - | (145) | 145 | - |
| **As at 31 December 2006** | 54,978 | - | 290,506 | 36,357 | 701,901 | 1,083,742 |

(1) in 2006 the share buy-back programme was not carried out. The change in the value of treasury shares represents direct costs related to execution of this programme in 2005.

(all amounts in PLN thousands unless otherwise indicated)

**Unconsolidated cash flow statement for the three and twelve months ended 31 December 2007**

| | Three months ended 31 December 2007 | Twelve months ended 31 December 2007 | Three months ended 31 December 2006 | Twelve months ended 31 December 2006 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit /(loss) before income taxes | 8,268 | 94,322 | (5,044) | (6,741) |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 10,757 | 43,377 | 11,453 | 46,544 |
| Amortization of intangible assets | 1,312 | 4,902 | 1,660 | 3,814 |
| Foreign exchange (gain) / loss | (18,523) | (12,131) | 6,075 | 9,706 |
| Interest, net | 1,015 | 2,425 | 380 | 1,005 |
| (Profit) / loss on investing activities | (94) | 3,114 | 7,605 | 6,977 |
| Dividend income | - | (41,543) | - | (23,769) |
| (Decrease) / increase in provisions | (71) | (2,369) | (4,002) | 715 |
| (Increase) / decrease in inventories | (164) | 1,246 | (1,776) | 1,051 |
| (Increase) / decrease in receivables and prepayments | 7,776 | (18,817) | 4,098 | 33,519 |
| (Decrease) / increase in payables | 16,883 | 31,145 | (1,686) | (21,953) |
| (Decrease) / increase in deferred revenues and accruals | (3,447) | 7,915 | (800) | 5,454 |
| Other adjustments | 10,331 | 27,847 | 8,436 | 30,271 |
| Cash generated from operations | 34,043 | 141,433 | 26,399 | 86,593 |
| Income taxes (paid) / returned | (16,917) | (24,173) | - | (2,046) |
| **Net cash from operating activities** | 17,126 | 117,260 | 26,399 | 84,547 |
| **Cash flows from investing activities** | | | | |
| Proceeds from sale of property, plant and equipment, and intangibles | 10 | 31 | 716 | 1,028 |
| Disposal of subsidiaries and associates | - | 11,521 | - | 3,496 |
| Disposal of financial assets | - | 231 | 890 | 4,048 |
| Dividends received | 18,000 | 54,543 | - | 10,769 |
| Repayment of loans granted | 102 | 2,519 | 220 | 941 |
| Interest received | 2,212 | 5,866 | 2,599 | 8,197 |
| Disposal of short-term securities | 38,734 | 38,734 | 39,691 | 137,490 |
| Repayment of finance lease receivables | 1,468 | 6,272 | 1,634 | 6,648 |

(all amounts in PLN thousands unless otherwise indicated)

| | Three months ended 31 December 2007 | Twelve months ended 31 December 2007 | Three months ended 31 December 2006 | Twelve months ended 31 December 2006 |
|---|---|---|---|---|
| Purchase of property plant and equipment, and intangibles | (2,824) | (13,736) | (3,288) | (14,719) |
| Acquisition of subsidiaries and associates and other investments in subsidiaries and associates | (11) | (154) | (3,000) | (5,974) |
| Acquisition of short-term securities | - | (100,000) | - | (65,987) |
| Loans granted | (536) | (15,306) | (4,840) | (24,574) |
| **Net cash used in investing activities** | 57,155 | (9,479) | 34,622 | 61,363 |
| **Cash flows from financing activities** | | | | |
| Repurchase of own shares (1) | - | - | (5) | (30) |
| Dividends paid | (4) | (82,433) | (12) | (27,489) |
| Interest paid | (2,582) | (7,576) | (1,073) | (5,963) |
| Other | (34) | (439) | (34) | (139) |
| **Net cash used in financing activities** | (2,620) | (90,448) | (1,124) | (33,621) |
| **Net increase / (decrease) in cash and cash equivalents** | 71,661 | 17,333 | 59,897 | 112,289 |
| Cash and cash equivalents | | | | |
| At start of period | 236,478 | 290,806 | 230,909 | 178,517 |
| At end of period | 308,139 | 308,139 | 290,806 | 290,806 |

(1) in 2006 the share buy-back programme was not carried out. The cash outflow for repurchase of own shares represents direct costs related to execution of this programme in 2005.

(all amounts in PLN thousands unless otherwise indicated)

Following the changes concerning spare parts, the financial data has been restated for the comparative periods.

The summary of changes is presented in the table below:

| | Data presented in the report for the fourth quarter of 2006 | Restatement | Data presented in the report for the fourth quarter of 2007 |
|---|---|---|---|
| Property, plant and equipment as at 31 December 2006 | 447,703 | 1,019 | 448,722 |
| Inventories as at 31 December 2006 | 14,313 | (1,019) | 13,294 |
| Net cash from operating activities for twelve months ended 31 December 2006 | 84,239 | 308 | 84,547 |
| Net cash from investing activities for twelve months ended 31 December 2006 | 61,671 | (308) | 61,363 |

| | Data presented in the report for the third quarter of 2007 | Restatement | Data presented in the report for the fourth quarter of 2007 |
|---|---|---|---|
| Property, plant and equipment as at 30 September 2007 | 421,088 | 845 | 421,933 |
| Inventories as at 30 September 2007 | 12,728 | (845) | 11,883 |

**Additional information to unconsolidated financial statements of Agora SA**

In the period from 1 January 2007 to 31 December 2007 the following impairment losses and provisions were changed (in brackets figures for the fourth quarter of 2007):

- impairment loss for receivables: decrease by PLN 4,147 thousand (decrease by PLN 2,951 thousand),
- impairment loss for financial assets: increase by PLN 1,395 thousand (increase by PLN 1,454 thousand),
- impairment loss for inventory: increase by PLN 7,927 thousand (increase by PLN 5,121 thousand),
- provision for restructuring: decrease by PLN 3,238 thousand (no changes),
- provision for certain and probable losses: increase by PLN 821 thousand (decrease by PLN 105 thousand),
- retirement severance provision: increase by PLN 48 thousand (increase by PLN 34 thousand).

**Selected unconsolidated financial data together with translation into EURO**

| | PLN thousand | | EURO thousand | |
|---|---|---|---|---|
| | Twelve months ended 31 December 2007 | Twelve months ended 31 December 2006 | Twelve months ended 31 December 2007 | Twelve months ended 31 December 2006 |
| Sales | 1,034,568 | 936,134 | 273,927 | 240,182 |
| Operating profit / (loss) | 58,491 | (20,043) | 15,487 | (5,142) |
| Profit / (loss) before income taxes | 94,322 | (6,741) | 24,974 | (1,730) |
| Net profit / (loss) | 78,500 | (9,981) | 20,785 | (2,561) |
| Net cash from operating activities | 117,260 | 84,547 | 31,047 | 21,692 |
| Net cash used in investing activities | (9,479) | 61,363 | (2,510) | 15,744 |
| Net cash used in financing activities | (90,448) | (33,621) | (23,948) | (8,626) |
| Net increase / (decrease) in cash and cash equivalents | 17,333 | 112,289 | 4,589 | 28,810 |
| Total assets | 1,464,633 | 1,409,404 | 408,887 | 367,875 |
| Non-current liabilities | 168,551 | 170,712 | 47,055 | 44,558 |
| Current liabilities | 188,648 | 154,950 | 52,666 | 40,444 |
| Equity | 1,107,434 | 1,083,742 | 309,166 | 282,873 |
| Share capital | 54,978 | 54,978 | 15,348 | 14,350 |
| Weighted average number of shares | 54,977,535 | 54,977,535 | 54,977,535 | 54,977,535 |
| Earnings per share (in PLN / in EURO) | 1.43 | (0.18) | 0.38 | (0.05) |
| Book value per share (in PLN / in EURO) | 20.14 | 19.71 | 5.62 | 5.15 |

Warsaw, 20 February 2008

| | |
|---|---|
| Marek Sowa – President of the Management Board | ....................................................... |
| Piotr Niemczycki – Deputy President of the Management Board | ....................................................... |
| Zbigniew Bak – Deputy President of the Management Board | ....................................................... |
| Jaroslaw Szalinski – Member of the Management Board | ....................................................... |