

AGORA SA

CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 December 2001 AND 2000
prepared under
INTERNATIONAL ACCOUNTING STANDARDS

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Agora SA**Consolidated balance sheet as at 31 December 2001 with comparative figures for 2000**

(all amounts in PLN thousands unless otherwise indicated)

	<u>Note</u>	At 31 December 2001	2000
Assets			
Current assets:			
Cash and cash equivalents	2	132,880	47,358
Short-term securities	3	56,671	142,077
Accounts receivable and prepayments	4	107,937	104,021
Inventories	5	15,658	25,666
		<u>313,146</u>	<u>319,122</u>
Long-term assets:			
Property, plant and equipment	6	770,734	663,902
Intangible assets	7	13,824	14,602
Investments	8	60,221	53,877
		<u>844,779</u>	<u>732,381</u>
Total assets		<u>1,157,925</u>	<u>1,051,503</u>
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued charges	9	115,828	109,950
Short-term borrowings		-	6,230
		<u>115,828</u>	<u>116,180</u>
Long-term liabilities:			
Long-term borrowings	10	2	84,928
Deferred income taxes	11	21,487	6,077
		<u>21,489</u>	<u>91,005</u>
Shareholders' equity:			
Share capital	12	56,758	56,758
Share premium		353,646	353,646
Retained earnings and other reserves	13	610,204	433,914
		<u>1,020,608</u>	<u>844,318</u>
Total liabilities and shareholders' equity		<u>1,157,925</u>	<u>1,051,503</u>

See accompanying notes to the consolidated financial statements.

Agora SA
Consolidated income statement for the year ended 31 December 2001
with comparative figures for 2000
(all amounts in PLN thousands unless otherwise indicated)

	Note	Year ended 31 December	
		2001	2000
Sales	14	777,069	810,722
Operating costs	15	<u>(639,532)</u>	<u>(590,043)</u>
Operating profit before non-recurring charges		<u>137,537</u>	<u>220,679</u>
Non-recurring charges	17	(20,288)	(13,653)
Gain on disposal of long term investment	8	104,026	-
Provision for losses on investments	8	<u>(17,707)</u>	<u>-</u>
Profit after non-recurring items		203,568	207,026
Interest and financial items	18	915	7,409
Dividends received		<u>2,809</u>	<u>10,105</u>
Profit before income taxes		207,292	224,540
Income taxes	19	(31,002)	(54,349)
Net profit for the year		<u>176,290</u>	<u>170,191</u>
Earnings per share (in PLN)	20	<u>3.11</u>	<u>3,00</u>

See accompanying notes to the consolidated financial statements.

Agora SA**Consolidated statement of changes in shareholders' equity for the year ended 31****December 2001****with comparative figures for 2000**

(all amounts in PLN thousands unless otherwise indicated)

	Share capital	Share premium	Retained earnings	Other reserves	Total
At 31 December 1999	<u>56,758</u>	<u>353,646</u>	<u>262,576</u>	<u>1,039</u>	<u>674,019</u>
Net profit for the year	-	-	170,191	-	170,191
Other movements	-	-	-	108	108
At 31 December 2000	<u>56,758</u>	<u>353,646</u>	<u>432,767</u>	<u>1,147</u>	<u>844,318</u>
Net profit for the year	-	-	176,290	-	176,290
At 31 December 2001	<u>56,758</u>	<u>353,646</u>	<u>609,057</u>	<u>1,147</u>	<u>1,020,608</u>

See accompanying notes to the consolidated financial statements.

Agora SA**Consolidated cash flow statement for the year ended 31 December 2001
with comparative figures for 2000**

(all amounts in PLN thousands unless otherwise indicated)

		Year ended 31 December	
	Note	2001	2000
Operating activities			
Operating profit before non-recurring charges		137,537	220,679
Depreciation of plant, property and equipment		84,967	49,244
Amortisation of intangible assets		5,115	3,782
Loss on disposal of plant, property and equipment		852	2,373
		<u>228,471</u>	<u>276,078</u>
Movement in operating working capital	21	820	(14,610)
Net cash inflow before financial items and income taxes		229,291	261,468
Interest received net		17,649	4,625
Foreign exchange translation losses		(6,492)	(2,014)
Tax paid		(18,680)	(48,106)
Other non-recurring expenses		(366)	-
Net cash from operating activities		221,402	215,973
Investing activities			
Capital expenditure, net		(210,092)	(285,364)
Net cash on sale and purchase of long-term investments		424	(13,834)
Redemption of and income from short-term securities		103,049	89,193
Net gains on forward foreign exchange and future interest rate contracts		1,835	1,339
Dividends received		2,809	10,105
Net cash used in investing activities		(101,975)	(198,561)
Financing activities			
Net cash used for foreign currency loan swap contracts		(33,905)	(6,411)
Net cash from financing activities		(33,905)	(6,411)
Change in cash and cash equivalents		85,522	11,001
Movements in cash and cash equivalents			
At start of year		47,358	36,357
Increase		85,522	11,001
At end of year		<u>132,880</u>	<u>47,358</u>

See accompanying notes to the consolidated financial statements.

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Notes to the consolidated financial statements for the year ended 31 December 2001 with comparative figures for 2000

(all amounts in PLN thousands unless otherwise indicated)

General information

Agora SA ("the Company") principally produces, sells and promotes Gazeta Wyborcza the daily newspaper and other print media in Poland and controls or exercises significant influence over 19 radio stations. The Company operates in all the major cities in Poland and employs approximately 3,300 people.

1. Significant accounting policies

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

Basis of preparation

The consolidated financial statements of the Agora SA Group ("the Group"), which is Agora S.A. and its wholly-owned subsidiary, Poligrafia Sp. z o.o., are prepared in accordance with International Accounting Standards (IAS) adopted by the International Accounting Standard Board and interpretations issued by Standing Interpretation Committee. The IAS financial statements have been prepared under the historical cost convention.

Translation of foreign currencies

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

Derivative financial instruments

The Company uses derivative financial instruments to hedge its general exposure to foreign exchange risk. Derivative financial instruments are recognized initially at cost as an asset or liability. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Any unrealized gains or losses are recognized in the income statement.

Deferred income taxes

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

Receivables

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

Inventories

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

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

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Notes to the consolidated financial statements for the year ended 31 December 2001 with comparative figures for 2000

(all amounts in PLN thousands unless otherwise indicated)

1. Significant accounting policies (continued)

Property, plant and equipment

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

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

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

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

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

Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated undertaking at the date of acquisition. Goodwill is amortised using the straight-line method over five years.

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

Perpetual leasehold of land is depreciated over 10 years.

Investments

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

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

Methods of revenue recognition

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

Borrowing costs

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

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Notes to the consolidated financial statements for the year ended 31 December 2001 with comparative figures for 2000

(all amounts in PLN thousands unless otherwise indicated)

1. Significant accounting policies (continued)

Employee plans

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

Related parties

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

2. Cash and cash equivalents

	2001	2000
Cash at bank and in hand	224	341
Short-term bank deposits	132,656	37,632
Treasury bills	0	9,385
	<u>132,880</u>	<u>47,358</u>

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

3. Short-term securities

	2001	2000
Short-term commercial papers	10,196	41,077
Shares in investment funds	46,475	101,000
	<u>56,671</u>	<u>142,077</u>

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

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Notes to the consolidated financial statements for the year ended 31 December 2001 with comparative figures for 2000

(all amounts in PLN thousands unless otherwise indicated)

4. Accounts receivable and prepayments

	<u>2001</u>	<u>2000</u>
Trade receivables	86,172	91,854
Other receivables	10,524	7,678
Prepayments and accrued income	1,375	1,348
Income taxes	2,244	6
Other taxes and social security	7,622	3,135
	<u>107,937</u>	<u>104,021</u>

All receivables fall due within one year.

Trade receivables include amounts due from related entities arising from normal trading operations of PLN 2,868 thousand (31 December 2000: PLN 2,353 thousand).

5. Inventories

	<u>2001</u>	<u>2000</u>
Raw materials and consumables	14,157	19,094
Finished goods and goods for resale	1,501	6,572
	<u>15,658</u>	<u>25,666</u>

Finished goods and goods for resale as at 31 December 2001 includes a printing press that is no longer in use and has been offered for resale. The carrying cost of the asset is nil, as the cost of PLN 5,890 thousand (which includes the net book value of the equipment when removed from use of PLN 4,748 thousand, and capitalised removal costs of PLN 1,142 thousand) was in total provided for during the year (Note 17).

Agora SA**Notes to the consolidated financial statements for the year ended 31 December 2001
with comparative figures for 2000**

(all amounts in PLN thousands unless otherwise indicated)

6. Property, plant and equipment

	Land and buildings	Plant, machinery and equipment	Assets under construction	Total
Year ended 31 December 2001				
Opening net book amount	164,502	409,821	65,456	639,779
Additions	4,975	98,471	182,495	285,941
Disposals and adjustments	(1,001)	(476)	(58,312)	(59,789)
Depreciation charge	(7,255)	(77,712)		(84,967)
Closing net book amount	<u>161,221</u>	<u>430,104</u>	<u>189,639</u>	<u>780,964</u>
At 31 December 2001				
Cost	177,897	606,686	189,639	974,222
Accumulated depreciation	<u>(16,676)</u>	<u>(176,582)</u>		<u>(193,258)</u>
	<u>161,221</u>	<u>430,104</u>	<u>189,639</u>	780,964
Prepayments for property, plant and equipment				2,279
Provision for leasehold improvements (note 17)				(12,509)
Net book value				<u>770,734</u>

All assets included above were owned by the Group.

Assets under construction include:

- new office building	128,680
- printing presses	57,810
- others	3,149

	Land and buildings	Plant, machinery and equipment	Assets under construction	Total
Year ended 31 December 2000				
Opening net book amount	71,131	125,477	127,880	324,488
Additions	110,848	368,194	381,098	860,140
Disposals and adjustments	(13,426)	(38,657)	(443,522)	(495,605)
Depreciation charge	(4,051)	(45,193)	-	(49,244)
Closing net book amount	<u>164,502</u>	<u>409,821</u>	<u>65,456</u>	<u>639,779</u>
At 31 December 2000				
Cost	174,276	517,114	65,456	756,846
Accumulated depreciation	<u>(9,774)</u>	<u>(107,293)</u>	-	<u>(117,067)</u>
	<u>164,502</u>	<u>409,821</u>	<u>65,456</u>	639,779
Prepayments for property, plant and equipment				24,123
Net book value				<u>663,902</u>

Agora SA**Notes to the consolidated financial statements for the year ended 31 December 2001
with comparative figures for 2000**

(all amounts in PLN thousands unless otherwise indicated)

7. Intangible assets

	Goodwill	Perpetual leasehold and other	Total
Year ended 31 December 2001			
Opening net book amount	4,508	10,094	14,602
Additions		4,344	4,344
Amortisation charge	(3,652)	(1,463)	(5,115)
Disposals and adjustments	(7)	0	(7)
Closing net book amount	<u>849</u>	<u>12,975</u>	<u>13,824</u>

At 31 December 2001

Cost	11,728	18,668	30,396
Accumulated depreciation	<u>(10,879)</u>	<u>(5,693)</u>	<u>(16,572)</u>
Net book amount	<u>849</u>	<u>12,975</u>	<u>13,824</u>

	Goodwill	Perpetual leasehold and other	Total
Year ended 31 December 2000			
Opening net book amount	6,845	11,536	18,381
Additions		1,036	1,036
Amortisation charge	(2,337)	(1,445)	(3,782)
Disposals and adjustments		<u>(1,033)</u>	<u>(1,033)</u>
Closing net book amount	<u>4,508</u>	<u>10 094</u>	<u>14,602</u>

At 31 December 2000

Cost	11,735	14,324	26,059
Accumulated depreciation	<u>(7,227)</u>	<u>(4,230)</u>	<u>(11,457)</u>
Net book amount	<u>4,508</u>	<u>10 094</u>	<u>14,602</u>

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Notes to the consolidated financial statements for the year ended 31 December 2001 with comparative figures for 2000

(all amounts in PLN thousands unless otherwise indicated)

8. Investments

Year ended 31 December 2001

Opening net book amount		53,877
Additions:		
- acquisitions and increases in capital of non-consolidated subsidiaries and associates	23,964	
- long-term loans granted	11,623	
- others	2,534	
		<u>38,121</u>
Disposals and adjustments		(23,670)
Provision for loss on investments		<u>(8,107)</u>
Closing net book amount		<u>60,221</u>

Year ended 31 December 2000

Opening net book amount		39,156
Additions		17,896
Disposals and adjustments		<u>(3,175)</u>
Closing net book amount		<u>53,877</u>

During the year the Group acquired controlling or significant interest in seven media entities and magazine publication for an aggregate consideration of PLN 11,943 thousand. In addition it increased its interest in capital of six other investments in the aggregate of PLN 12,021 thousand.

During the year Agora disposed of its 12,12% interest in shares of Telewizyjna Korporacja Partycypacyjna S.A. (TKP). The gain on disposal of its investment, with a net book value of PLN 22,491 thousand, amounts to PLN 104,026 thousands and includes proceeds from the disposition of the shares, net interest income and foreign exchange gains. Proceeds consisted of settlement of its loan payable of PLN 81,881 thousand to its shareholder Cox Poland Investments, Inc (Cox) in exchange for 5.94% of TKP shares, cash proceeds of PLN 41,264 thousand for 6.18% of TKP shares, net interest income of PLN 1,793 thousand and net foreign exchange gains of PLN 1,579 thousand.

The tax effect on this transaction is included in income tax charge for the year. The transaction brought about an increase in income taxes of PLN 2,112 thousand, and, accordingly, increased the Company's net profit for the year by PLN 101,914 thousand.

Provisions for losses on investments in the amounts of PLN 4,107 thousand and PLN 4,000 thousand were set up for loans granted to an affiliated entity, Inforadio Sp. z o.o. and investment in shares of Centrum Handlu Internetowego Sp. z o.o. (CHI), respectively. Agora has also guaranteed a bank loan in the amount of PLN 9,600 thousand, granted to Inforadio Sp. z o.o., and has provided for a loss on such guarantee (note 9).

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Notes to the consolidated financial statements for the year ended 31 December 2001 with comparative figures for 2000

(all amounts in PLN thousands unless otherwise indicated)

9. Accounts payable and accrued charges

	<u>2001</u>	<u>2000</u>
Trade payables	71,960	76,494
Income taxes	43	893
Other taxes and social security	5,631	8,933
Other payables	22,600	7,441
Accruals and deferred income	15,594	16,189
	<u>115,828</u>	<u>109,950</u>

All amounts fall due within one year.

Included in accruals and deferred income is PLN 2,770 thousand (31 December 2000, PLN 3,048 thousand) provided aside for the benefits of the individual Group entities' employees incentive plan.

The provision for a loss on the loan guarantee of PLN 9,600 thousand (see note 8) is included in other payables.

10. Long-term borrowings

	<u>2001</u>	<u>2000</u>
Unsecured loan from a minority shareholder	-	83,376
Net liability from cross-currency swap loan contracts		1,552
Other	2	-
Total long term liabilities	<u>2</u>	<u>84,928</u>

The unsecured loan comprised a loan of PLN 83,376 thousand from shareholder Cox Poland Investments, Inc. which was settled in exchange for the Group's investment in TKP (see note 8).

In 2001, due to unexpected long-term weakness of the EURO against PLN, the Group decided to settle its cross-currency loan swap contracts with a bank in advance of the scheduled settlement dates under the terms of the respective agreements. In addition, the Group also settled a forward foreign currency purchase contract in advance of the settlement date. Net interest expense, foreign exchange losses and bank charges on settlement of these contracts amounted to PLN 26,123 thousand (see note 18).

The long-term net liability from the cross-currency loan swap contracts of PLN 1,552 thousand as at 31 December 2000 represented the net of loans granted to a bank and loans payable to the same bank., which were settled during 2001, as described above.

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Notes to the consolidated financial statements for the year ended 31 December 2001 with comparative figures for 2000

(all amounts in PLN thousands unless otherwise indicated)

11. Deferred income taxes

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

	2001	2000
Accelerated tax depreciation and similar items	33,782	21,457
Items giving rise to deferred tax assets	(12,295)	(15,380)
	<u>21,487</u>	<u>6,077</u>

12. Share capital

Number of shares as at 31 December 2001

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

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

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

All the authorised and issued shares are fully paid up.

13. Retained earnings and other reserves

Dividends

The Management Board does not propose to pay dividends in respect of profits for the year ended 31 December 2001.

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

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

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Notes to the consolidated financial statements for the year ended 31 December 2001 with comparative figures for 2000

(all amounts in PLN thousands unless otherwise indicated)

14. Sales and segment information

(a) Segment information

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

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

(b) Sales information

	2001	2000
Sales of newspapers and other goods	174,173	155,521
Sales of advertising and other services	585,588	642,039
Other sales	17,308	13,162
	<u>777,069</u>	<u>810,722</u>

Included in sales of advertising and other services are barter sales of PLN 5,519 thousand (for year 2000: PLN 5,458 thousand).

15. Operating costs

	2001	2000
Raw materials and consumables	183,934	185,505
Other external charges	174,320	172,461
Staff costs (Note 16)	191,196	179,051
Depreciation of property, plant and equipment	84,967	49,244
Amortisation of intangible assets	5,115	3,782
	<u>639,532</u>	<u>590,043</u>
Other external charges include the following items:		
Property operating lease rentals	14,542	12,966
Foreign exchange losses	(355)	(812)

Agora SA**Notes to the consolidated financial statements for the year ended 31 December 2001
with comparative figures for 2000**

(all amounts in PLN thousands unless otherwise indicated)

16. Staff costs

	2001	2000
Wages and salaries	156,088	145,319
Social security costs	32,705	30,259
Employee incentive scheme costs	2,403	3,473
	<u>191,196</u>	<u>179,051</u>
Number of persons employed	<u>3,312</u>	<u>3,438</u>

Directors' remuneration and other benefits

Remuneration of Management Board members paid pursuant to employment contracts amounted to PLN 1,774 thousand (31 December 2000: PLN 2,636 thousand).

17. Other non-recurring charges

Other non-recurring charges include:

- provision of PLN 12,509 thousand set up for used office equipment and leasehold improvements in the buildings to be abandoned in the beginning of 2002 due to completion of the first stage of works in the new office building as well as the decommissioning of the old premises of Gazeta Wyborcza, where the second part of the new office building is to be constructed (2000-PLN 13,653 thousand)
- provision of PLN 5,890 thousand, for loss in value of the old disassembled printing press, which was included in inventories as at 31 December 2000,
- provision of PLN 1,522 thousand, for staff redundancies to be incurred in 2002 (as a consequence of the program introduced in 2001),
- lay-off costs incurred in 2001 amounting to PLN 367 thousand.

18. Interest and financial items

	2001	2000
Interest income	16,379	4,878
Income, other than dividends, from short-term investments	15,518	22,012
Net gains on forward foreign exchange and future interest rate contracts	1,835	1,339
	<u>33,732</u>	<u>28,229</u>
Interest and other expenses:		
Interest on unsecured loan from minority shareholder	-	(4,359)
Net interest expense, foreign exchange losses and bank charges on loan swap contracts (note 10)	(26,123)	(14,194)
Foreign exchange translation losses	(6,492)	(2,014)
Other financing costs	(202)	(253)
	<u>(32,817)</u>	<u>(20,820)</u>
	<u>915</u>	<u>7,409</u>

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Notes to the consolidated financial statements for the year ended 31 December 2001 with comparative figures for 2000

(all amounts in PLN thousands unless otherwise indicated)

19. Income taxes

	2001	2000
Current domestic income taxes	15,592	54,590
Deferred income taxes	15,410	(241)
	<u>31,002</u>	<u>54,349</u>

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

		2001	2000
Statutory rate:	(%)	28.0	30.0
Tax relief on profits from printing plant in special economic zone in Tychy	(%)	(1,6)	(4,5)
Tax effect of the gain on disposal of TKP	(%)	(14,0)	-
Tax effect of other permanent differences	(%)	2,6	(1,3)
Effective income tax rate	(%)	<u>15.0</u>	<u>24.2</u>

20. Earnings per share

Earnings per share were calculated based on the average number of shares issued for the current year which is 56,757,525 for both 2001 and 2000.

21. Cash flows: movement in operating working capital

Movement in operating working capital comprises

	2001	2000
Decrease/(increase) in inventories	4,081	(2 409)
Decrease/(increase) in receivables	108	(26 083)
(Decrease)/increase in payables	(3,369)	13 882
	<u>820</u>	<u>(14 610)</u>

22. Financial risk management

Credit risk

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

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

Agora SA

Notes to the consolidated financial statements for the year ended 31 December 2001 with comparative figures for 2000

(all amounts in PLN thousands unless otherwise indicated)

Exchange rate risk

There are no significant trade receivables denominated in foreign currency. Accounts payable requiring settlement in foreign currency amounted to PLN 33,759 thousand payable principally in German marks/Euros, and Swiss Francs.

The Group has a potential currency exposure since it has Western-currency commitments pursuant to equipment contracts and it purchases newsprint from outside of Poland in Euros. The Company manages its foreign exchange risk by purchasing foreign currency forward contracts and undertaking other financial instruments as a general hedge against such risk.

As at 31 December 2001, the Group had entered into two foreign currency option agreements under which it may be required to purchase USD 10 million and EURO 10 million on 12 September 2002 and 6 November 2002 if the respective exchange rates to PLN are equal to or less than 4.2:1 and 4.0:1 at the respective settlement dates.

Interest rate risk

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

23. Capital commitments

Contractual capital commitments existing at the date of signing the financial statements amounted to PLN 95,654 thousand.

As of 31 December 2001 future capital expenditures budgeted by the Group for the following 12 months amounted to PLN 167,200 thousand.

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

24. Contingencies

As of 31 December 2001 the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

Guarantees

Agora guaranteed repayment of 63.23% of a loan, being PLN 9,611 thousand, taken by Inforadio Sp. z o.o. (an associate) and same percentage of any interest or costs incurred by a bank providing the loan, for which the guarantee has been provided (note 9). The Group provided for a loss on the loan guarantee.

Agora also guaranteed loans taken by other subsidiaries: Biuro Obsługi Radiowej Sp. z o.o., amounting to PLN 840 thousand.

Agora SA

Notes to the consolidated financial statements for the year ended 31 December 2001 with comparative figures for 2000

(all amounts in PLN thousands unless otherwise indicated)

25. Commitments under operating leases

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

	2001	2000
Within one year	5,670	12,718
Between:		
one and two years	3,730	3,618
two and three years	2,497	3,096
three and four years	1,464	1,744
four and five years	1,154	1,191
later than five years	3,705	2,597
Total minimum payments	<u>18,220</u>	<u>24,964</u>

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

26. Post-balance sheet events

On January 18, 2002 Agora SA purchased shares in WIBOR Sp. z o. o. representing 24.08% of the share capital. The purchase price amounted to PLN 2.2 million. Together with previously owned shares, Agora now owns shares representing 48.98% of the share capital of WIBOR sp. z o. o. which entitle Agora to 48.98% of all votes at the General Meeting of Shareholders.

On February 18, 2002 the Company signed an investment agreement to purchase the enterprise of "Proszynski i S-ka Czasopisma" Sp. z o. o. (Polish limited liability company), which includes all the titles published by that company. The investment agreement binds both parties to conclude final purchase contract. Detailed information regarding the acquired enterprise (as defined in the Polish Civil Code) will be presented following the execution of the final sale agreement. "Proszynski i S-ka- Czasopisma" sp. z o. o. is not affiliated entity of Agora.

On April 5, 2002 the Company has entered into a long-term syndicated loan agreement with Bank Polska Kasa Opieki S.A., with its registered seat in Warsaw. The value of the loan is up to PLN 500 million PLN (USD 122 million). The loan may be drawn in tranches in the period ending on March 30, 2004. The loan may be used to finance completion of the construction of the new Agora's premises in Warsaw, purchase of fixed and financial assets, capital increases in entities in which Agora may purchase shares, as well as financing of current working capital needs. The base schedule set by the agreement provides for repayment of the principal of the loan in 16 equal quarterly installments between 31st March 2004 and 31st December 2007. The agreement permits for amendments to this schedule. The interests will be payable monthly or quarterly. The interest of the loan shall be set based on the WIBOR rate for the given interest period plus bank commission.

**Independent Auditors' Report to the shareholders of
Agora SA**

Scope

We have audited the accompanying consolidated balance sheet of Agora SA (“the Company”, collectively, “the Group”) as of 31 December 2001, and the related consolidated statements of income and cash flows for the year then ended.

Respective responsibilities of directors and auditors

These consolidated financial statements are the responsibility of the Company’s directors. Our responsibility is to express an opinion on these financial statements based on our audit work.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements of Agora SA give a true and fair view of the financial position of the Company as of 31 December 2001, and of the results of its operations and cash flows for the year ended 31 December 2001, in accordance with International Accounting Standards adopted by the International Accounting Standards Board.

KPMG Polska Audyt Sp. z o.o.

12 April 2002

Warsaw, Poland

Letter to shareholders

As I write this letter in early April 2002 to report to you on the 2001 results and to discuss prospects for 2002, the thirteenth year of Agora's operations, three main themes are preeminent in my mind.

One, the economy. 2001 was a very tough year; 2002 does not promise to look any brighter. As the economy slowed down last year, for the first time in our history we faced a shrinking advertising market. For our team, which honed its skills under conditions of double digit annual growth, it was a demanding learning experience; we learned as we went along.

Nevertheless, both our newspaper and our local radio business outperformed the market and delivered respectable results. And *Gazeta Wyborcza* was the only national newspaper to grow paid circulation! Our team truly rose to the challenge and we, the Management Board, are very proud of them.

One of the hardest tasks was forecasting sales, given growth in the first quarter, then followed by three quarters of rapidly accelerating decline. In effect, although we were much more conservative than market analysts, who saw recovery around each and every corner of last year, until late in the year we played catch-up. Advertising decline led, while our cost-containment programs lagged. Cost savings program was implemented in the second half of the year; its full benefit will be visible this year.

Meanwhile, the market panicked. Large advertisers kept sharply reducing budgets throughout the year, often canceling orders mid-campaign; many small ones simply gave up on promoting their goods and services. Media - led by TV stations, particularly public TV - offered increasingly deep discounts, often charging a fraction of rate-card prices. Most media players rode this downward rate spiral. *Gazeta* resisted its allure and stayed with a recession appropriate strategy, in keeping with the market position of our newspaper. We made our advertising product scarce by keeping our rates high and allowing volume to decline, thus reducing newsprint cost. In effect, we kept and, in some cases, grew our market share and we maintained a healthy margin.

Judging by the first quarter of this year, we are in for a repeat performance –the advertising market will continue very weak, with stagnation following early decline and no rebound before the end of 2002. We built our operating plan on this assumption and, unless the situation deteriorates beyond that, we expect a very small decline in revenues, while EBITDA margin will stay on the 2001 level.

Two, investment strategy. Early in the year, we communicated to shareholders a frame for our growth strategy. Since then, we have been immensely busy filling the deal pipeline and evaluating opportunities in Poland and in the region. To accelerate the origination process, we declared an open door policy for investment banks, with a promise of mandate for any bank which brings us an interesting deal; the policy paid off, with many mandates currently out. Much of the groundwork has been accomplished and we are pleased with the array of value building opportunities.

Now the work is coming to fruition: we announced a transaction (purchase of 12 magazines) earlier this year; several more deals are well advanced. Funding is lined up: we have cash, we just signed a loan agreement in the amount of up to 500 million PLN, and, should it become necessary, we have significant authorized capital.

It should be kept in mind that the addition of these new businesses to our portfolio is likely to affect our 2002 financials, rendering year on year comparisons less straightforward. For example, some acquisitions might be initially dilute the operating results. After all, few media companies deliver EBITDA margins comparable to Agora's. This is particularly true in our region, where companies are immature and require investment to realize their growth

potential – but then, they are not fully valued, either. Needless to say, the acquisitions will also affect the bottom line wherever goodwill arises.

While the work of looking for deals, analyzing target operations and negotiating terms continues unabated, we are also focusing very hard on how to successfully integrate and leverage performance of these new businesses and on getting management teams in place. Going forward, these are the most important objectives for our Business Development team and for the whole organization. The proof of the pudding, after all, is not in merely buying companies, but in managing them to deliver value.

Three, the draft media law. As I write this, one of the hottest issues in Poland is the government draft of a new media law, just sent to the Parliament. The law imposes stiff cross-ownership restrictions, for example banning a national newspaper publisher from owning a terrestrial television station with national (80% of territory) coverage. It is not clear whether the draft will become the law. The bill has provoked a public uproar in Poland and censure from international human rights and press organizations, both on substance and on the secretive and hasty manner of its preparation; Poland's President went on record warning he will not sign it.

We prefer to make our investment choices on our own, without assistance from state authorities. This is why, together with other media companies, we are working very hard to prevent the passage of the bill in its current form. We hope reason prevails over murky political ends and the controversial provisions are dropped from the bill. This would be good for both Polish democracy and Polish media.

If the law is passed, this company will be irked, but not hurt. True, certain paths to Agora's growth – such as buying a national TV station – will be barred, for the time being. But there are many other media segments and investment opportunities, both in Poland and in the region, abound. We have made a promise to our shareholders to grow this company and, administrative obstacles notwithstanding, we fully intend to deliver.

Please stay tuned.

Wanda Rpaczynski
President of the Management Board

Warsaw, 12 April 2002

AGORA SA MANAGEMENT DISCUSSION OF RESULTS FOR FISCAL YEAR 2001 (PRESENTED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARDS)

Agora Group has been created in 1998. These consolidated statements include results of Agora SA and Agora-Poligrafia Sp. z o.o. Other companies included in the group have been excluded from consolidation, as they are not material.

The revenues and costs of the group are mainly attributed to the dominating entity – Agora SA. The main product of the group is *Gazeta Wyborcza*, the biggest daily in Poland.

Agora-Poligrafia Sp. z o.o. delivers printing services to Agora SA. In 2001 it has printed 34.5% of the *Gazeta's* production volume. The printing presses of Agora-Poligrafia Sp. z o.o. are leased from Agora SA. Its revenues consist mainly of printing services to Agora SA whereas costs consist mainly of lease rent paid to Agora SA. Both are eliminated in consolidation.

For the first time in its history Agora faced an advertising recession. The challenge for the Company was to maintain the market position and profitability of its core business under conditions of shrinking advertising spending and growing competition, while simultaneously implementing its growth strategy.

In our opinion, we acquitted ourselves honorably. Total revenues declined 4.2%, or less than the market, and the key financial measures remained at a respectably high level:

Operating profit before other non-recurring charges amounted to PLN 137.5 million.

EBITDA margin reached 29.4% while EBITDA margin on newspaper operations was 32.1%.

Net profit of PLN 176.3 million.

External and internal factors affecting the development of the Group

Polish economic and advertising market developments

In 2001, the world economy experienced a slowdown; by the end of the year many analysts came to the conclusion that the slowdown became a synchronized global recession. Poland's economic growth was much lower than forecasted at the beginning of last year; during the year both the economic performance, and further forecasts, kept declining. Low economic growth, in conjunction with the threat of fiscal crisis, high unemployment and low visibility of future economic performance resulted in a declining business and consumer confidence, which in turn led to lower investment and consumption spending.

In 2001 the readership of newspapers in Poland declined significantly. Independent audit data show that the number of copies of daily newspapers sold was about 6% lower than in the previous year. The macroeconomic factors which were responsible for the decline were exacerbated by the new 7% VAT on sale of newspapers, imposed as of January 2001.

The macroeconomic effects also caused the first advertising recession since Poland's transformation 12 years ago. It is worth noting that the decline in advertising spending was much steeper than the real decline in GDP. This effect was in all likelihood caused by a combination of such factors as low liquidity, sharp decline in corporate profitability and a sharp loss of confidence in the economic situation.

The advertising market kept worsening quarter after quarter. According to Agora's estimates, in the first quarter of 2001 advertising spending grew nominally by 4.8% q-o-q. In the following quarters it declined systematically, by 1.4%, 9.0% and 15.2%, respectively. In the whole of 2001 advertising market shrank by 6.0%, with spending on TV declining by 3.0%, on print media by 7.0%, radio by 8.3% and outdoor advertising by 17.8%. The largest advertising categories which suffered the most included automotive, home, foods, cosmetics and finance (declines of 16%, 14%, 12%, 7%, and 15%, respectively).

Among daily press advertisers, the largest impact was felt in such main categories as automotive, home construction, employment, and company announcements (30%, 26%, 15% and 16%, respectively).

Advertising spending for most of these categories is considered to be a leading indicator of the economy.

These data clearly demonstrate that in Poland the advertising recession was caused by the declining health of the economy, and not by a downturn in technology and telecom sectors, as in the US and Western Europe.

Under these conditions, media went to war for the declining pool of revenues, using pricing as the key weapon. Advertisers received huge discounts, which in some cases, particularly within the TV segment, often

reached 80-90%. TV stations moved away from selling airtime to selling audience. This strategy significantly lowered cost of TV and made TV accessible to many smaller advertisers and shifted traditional print and radio advertising categories (such as retail) to TV stations.

Yet another factor which increased the competition in print media was the appearance of new entrants – several free newspapers. Free press does not compete with traditional newspapers for readers; however, it may be quite effective in attracting advertising budgets. Agora made an attempt to measure advertising spending on free newspapers. According to our estimate, in 2001 the free newspapers (excluding *City Magazine*) had an 11.6% share of the Warsaw market.

Finally, we witnessed ongoing consolidation in the radio market. Several players followed in Agora's footsteps in building groups of formatted local radio stations. This, on the one hand, led to an increased competition for radio assets, which drove up prices and, on the other hand, an increased competition for audience and advertising revenues in local radio markets, which forced narrower formatting and promotional battles.

The Group's activities

Sales

Effective editorial and promotional efforts yielded a spectacular success: *Gazeta* was the only national daily in Poland to maintain the 2000 level of copy sales. In 2001, the average daily number of copies sold was 463 thousand (0.3% more than in the previous year), while revenue from copy sales grew 12.2%.

Advertising revenues were 9.3% lower than in 2000, while total advertising spend in daily newspapers (paid) declined 10.9%. *Gazeta's* share in newspaper advertising revenue grew by 0.6pp compared to 2000 and stood at 47.4%. Pricing strategy in keeping with market position led to the growth of net revenue per page by 13.2%.

Local radio stations delivered satisfactory results: stations maintained revenue levels and top audience ratings, making Agora the number one local and the number three commercial radios player in Poland. Ad revenue in Agora's local radio stations' group fell in 2001 just by 2.5%, while total radio advertising spend was 8.3% down and local down by as much as 19.2% (estimated expenses corrected for average discount rate, but not adjusted for inflation – source Agora). Share in radio advertising revenue grew by 0.7pp.

Advertising revenue of *City Magazine* (free monthly magazine published by City Magazine sp. z o.o., a company wholly owned by Agora since April 2001) grew by 79.0% in 2001 and amounted to PLN 4.5 million.

In response to competitive threat posed by free press, toward the end of the year the company launched two free newspapers, in Warsaw and in Wrocław.

Operating cost

In the second half of 2001 the company started implementing an intensive program of cost curtailment. Total 2001 operating expense (ex. D&A) stood at PLN 549.4 million and grew by only 2.3%.

The Group reduced expenses at all operating levels. In November 2001, the Management Board resolved to reduce staff levels. In total, 5% of all employees will have been laid off. At the end of December 2001, the Group employed 3,312 staff, 3.7% fewer than at the end of December 2000 and 3.3% fewer than at the end of September 2001.

Agora put in place a number of programs designed to reduce *Gazeta's* production costs while improving its attractiveness to readers and maintaining circulation levels. Despite the 20% EURO denominated increase in price of newsprint for 2001, total newsprint cost declined by 0.4% compared to 2000. This effect was caused by a combination of 5.9% (PLN 9.6 million) decline in production volumes, resulting from various product changes, and the low EURO (PLN 14.8 million).

Future prospects

In 2002 Agora will face dual challenge – we will continue to be embattled by advertising recession while continuing to implement Agora's growth strategy.

The first few months of 2002 are the clear sign that the advertising market has not yet found its bottom and that the decline may continue for several months. We are not counting on a subsequent rapid recovery, we anticipate that the decline will be followed by a period of stagnation. The first signs of recovery will occur at the end of 2002 or on the cusp of 2002 and 2003.

This admittedly conservative scenario of market development is based on several macroeconomic premises. One, US economy – the flywheel of global market - has not yet started gathering recovery momentum; two, the recovery will be slower and shallower in Europe; three – and very important – Polish economy will need clear positive signals to create a consumption stimulus; as yet, such signals are not on the horizon.

Under this scenario, the Management Board of the Company does not expect revenue growth from existing operations; in fact, we will contend with a further, single digit decline. Our operating plan for 2002 was built on this assumption. Because of difficult market conditions, the plan assumes no periodic salary increases for staff in 2002. A bright point is the expected decline in newsprint prices. Agora estimates that on the average (for various types and weights of paper), the price will decline by 8.5-10%, expressed in EURO. The lower price, combined with continued lower production volumes, should deliver additional savings (provided however that the Polish zloty is not significantly decreased vis a vis EURO).

The Company will continue to carefully monitor its expense base. It should be noted, however, that cost cutting must be selective and should not extend to these expenses which are necessary to maintain market position, continue growth and implement expansion plans.

Current year will be a significant one for Agora's growth. Agora's strong cards include, on the one hand, its attractiveness as partner for many media companies in Poland and abroad, and, on the other hand - particularly under present economic conditions – its liquidity and strong financial position. In the last year, the Company focused on its growth strategy, announced publicly in February 2001. In the last 12 months we evaluated a broad gamut of investment opportunities in this market and in the region. After in-depth analysis, we rejected many potential transactions because in our opinion they failed to meet criteria necessary for building shareholder value. In a couple of cases, we lost the assets to stronger Western European competitors. But a number of transactions – a few of them significant in size – are quite advanced. When they close, Agora will need to equal to challenges of effectively managing newly acquired companies. We are fully aware of the importance of this task and are actively engaged in the process of getting the management ready.

OPERATING REVIEW

The financial results of the Group presented herein represent consolidated data for two companies: Agora SA and Agora Poligrafia Sp. z o.o. The remaining companies in which Agora SA owns shares, namely radio stations, City Magazine Sp. z o.o., Centrum Handlu Internetowego Sp. z o.o., are not consolidated since they are immaterial from the perspective of accounting standards.

The table below presents operating results of the main activities of the Agora Group:

<i>Activities</i>	Total revenues			Ad revenues			EBITDA		
	2001	2000	%growth	2001	2000	%growth	2001	2000	%growth
in PLN million									
Newspaper operations	771.9	803.5	(3.9%)	582.6	637.3	(8.6%)	247.7	283.3	(12.6%)
Internet	3.8	3.6	7.2%	3.0	2.9	3.2%	(14.7)	(6.2)	—
Local radio stations (1)	37.8	38.1	(0.8%)	34.8	35.7	(2.5%)	3.5	3.5	(1.5%)
TOK FM (2)	2.3	2.4	(6.6%)	1.8	2.0	(5.9%)	(4.7)	(8.1)	—
City Magazine (3)	4.5	2.5	79.3%	4.5	2.5	79.0%	(0.9)	(0.6)	—

- operations marked in gray are not consolidated in the Group's report
- (1) 19 stations in 2001, in which Agora owns from 19% to 100% of shares
- (2) Agora owns 41.6% stake
- (3) Agora owns 100% stake

GAZETA WYBORCZA

Paid circulation

Revenue from copy sales was up 12.2% to PLN 172.4 million, while the average net price per copy increased by 13.2% (excluding VAT) and distribution margin rose by 1.2pp. Revenue from paid circulation comprised 22.2% of the Company's revenue.

According to the Circulation Audit Office (ZKDP), total sales of paid circulation of Polish daily newspapers decreased by 5.7%. Thanks to active readership promotion, as well as effective leverage of increased Polish and foreign newsflow, *Gazeta*'s average daily copy sales for 2001 reached 463,000 copies (up 0.3% y-o-y). *Gazeta* is continuously expanding its readership offer – on September 4, 2001 we started publishing a new educational weekly supplement, *Kujon Polski*, and, as of September 24, *Gazeta*'s business section started appearing in an extended and diversified form; since November 2001, *Gazeta*'s local pages have a new layout.

Monday (with *Employment* and *Sport* supplements) and Friday (with *TV Guide*, *Sport* and *Komiksowo* supplements) editions of *Gazeta* continue to sell well (up 2.0% and 3.5% y-o-y, respectively).

Advertising Sales

Gazeta's advertising revenue amounted to PLN 558.3 million, 9.3% down y-o-y, and accounted for 71.8% of the Company's total revenue.

According to Agora estimates, Polish ad market decreased by 6.0% (figures are adjusted for discount rates and not adjusted for inflation), while the daily press market (excl. free press) declined by 10.9%. *Gazeta*'s share in the national daily ad market increased by 1.7pp to 64.8%, its Warsaw share decreased by 0.9pp to 82.1%, while share in other local markets was up by 0.2pp to 24.2%. *Gazeta*'s share in the total daily press ad market increased by 0.6pp, while the share of daily press in the total print ad market decreased by 2.6pp. In 2001, magazines recorded ad revenue at 2000 levels (0.2% down), thus increasing their share in the total ad market by 0.7pp (and by 2.6pp in the print ad market).

ADVERTISING

REVENUE

(in PLN million)	2001	2000	%growth '01/'00
National advertising	294.8	326.6	(9.7%)
<i>Share in total ad revenue</i>	<i>52.8%</i>	<i>53.1%</i>	
Local advertising (excl. Warsaw)	135.0	146.0	(7.5%)
<i>Share in total ad revenue</i>	<i>24.2%</i>	<i>23.7%</i>	
Warsaw advertising	128.5	142.7	(9.9%)
<i>Share in total ad revenue</i>	<i>23.0%</i>	<i>23.2%</i>	
TOTAL	558.3	615.3	(9.3%)

The advertising lineage in the daily print ad market shrank by 15.2%. The lineage in national dailies fell by 16.1%, 15.3% in Warsaw dailies and 15.1% in other local dailies (source: Agora).

In 2001, *Gazeta*'s national advertising lineage decreased by 18.3%, Warsaw by 18.1%, other local by 20.5%. The average number of advertising pages printed daily in all national and local editions of *Gazeta* reached 314 versus 393 in the previous year.

Gazeta's net revenue per ad page was to PLN 5,848, up 13.2%.

Cost of newsprint and printing of Gazeta Wyborcza

Gazeta's production volume decreased by 5.9% y-o-y, with the total of 22 billion pages printed. The share of color pages reached 83.2% (64.2% in 2000).

Gazeta Wyborcza's newsprint cost was PLN 152.4 million and accounted for 27.7% of total operating costs before D&A. A total of 65.3 thousand tons of newsprint were used, 4,415 tons fewer than last year (6.3% down). In spite of the increase of newsprint price in EURO by about 20%, the total newsprint cost was around the level of 2000 (a decrease of 0.4%), due to weak EURO and lower production volume.

External printing cost of *Gazeta* reached PLN 20.6 million (a decrease of 40.0%). External printing plants satisfy Agora's needs for heat-set technology (*High Heels*, *Color Magazine* and glossy cover of *TV Guide*). In 2001, 2.4 billion pages or 11.1% of the total production volume were printed externally (19.2% or 4.5 billion pages, respectively in 2000).

Cost of in-house printing (includes production in Białoleka, Piła, and Agora Poligrafia printing plants) reached PLN 96.1 million, of which almost 84.3% was fixed cost.

COST OF IN-HOUSE

PRINTING (in PLN million)	2001	2000	%growth '01/'00
Total fixed costs	81.0	58.2	39.2%
Staff costs	26.6	22.5	18.0%
<i>Average employment</i>	<i>710</i>	<i>618</i>	<i>14.9%</i>
D&A	38.4	18.7	105.0%
Other operating costs	16.0	17.0	(5.7%)
Variable costs	15.1	14.4	5.0%
TOTAL Fixed and variable costs	96.1	72.6	32.4%

In the second half of 2000, the Company completed the development of its three plants. The building in Białoleka, as well as printing presses in Białoleka and Tychy started depreciating as of August 2000. In December 2000, the company began to depreciate the building and printing presses of the Piła plant. These caused D&A to surge by 105%.

The decrease in other operating costs has been caused by lower cost of inserting of newspaper sections (as of 2001 inserting is automated).

In 2001, **total newsprint and printing cost (for both in-house and external plants) before D&A** reached PLN 230.7 million and was 4.4 % down y-o-y.

As of July 2001, the plants have been selling their surplus production capacity. In 2001, the revenue from these sales amounted to PLN 1.4 million; newsprint and other materials used for sold production amounted to PLN 0.8 million.

RADIO

Radio stations

GROUP OF LOCAL RADIO

STATIONS (in PLN million)	2001	2000	%growth '01/'00
Total revenue (*)	37.8	38.1	(0.8%)
<i>incl. ad revenue (*)</i>	<i>34.8</i>	<i>35.7</i>	<i>(2.5%)</i>
EBITDA	3.5	3.5	(1.5%)
EBITDA margin	9.1%	9.2%	(0.1pp)
Number of stations	19	14	

(*) *Revenue not scaled against Agora's share*

In 2001 Agora continued expansion of its radio group and acquired stakes in 5 stations.

Ad revenue in Agora's local radio stations' group fell in 2001 just by 2.5%, while total radio advertising spend was 8.3% down and local down by as much as 19.2% (estimated expenses corrected for average discount rate, but not adjusted for inflation – source Agora). Agora's local radio stations group increased its share in radio advertising market by 0.7pp.

In the super-regional station TOK FM, in which Agora SA owns 41.6% stake, total sales revenue fell by 6,6% to PLN 2,3 million, and net loss amounted to PLN 9.8 million.

The radio venture is still not material from the perspective of Polish accounting standards and thus is not consolidated.

Radio Division's role in Agora SA structure is to supervise the radio operations.

In total, taking into account the cost of Radio Division as well as set-up provisions (PLN 13.7 million for Inforadio Sp. z o.o.) and dividends received (PLN 2.8 million), the radio operations lowered the Group's net result by PLN 10.5 million.

CITY MAGAZINE

In April 2001, Agora acquired City Magazine Sp. z o.o, the publisher of four free monthlies: *City Magazine Warszawa*, *City Magazine Kraków*, *City Magazine Poznań* and *City Magazine Trójmiasto*. In October 2001, *City Magazine* started publication in Wrocław, Łódź and Katowice. Total current circulation is approximately 159,000 copies.

City Magazine is a leading free monthly focused on entertainment, cultural events and leisure time targeting a group of 20-35 year-olds.

In 2001, ad revenue amounted to PLN 4.5 million (up 79.0%), net loss to PLN 1.0 million, and EBITDA was negative PLN 0.9 million.

The City Magazine Sp. z o.o. is not subject to consolidation.

FREE PRESS

On October 15, 2001, Agora SA published the first issue of a free newspaper, *Metro*, distributed twice a week in Warsaw with a total circulation of 50,000 copies. On December 14, 2001, Wrocław's *Metro* kicked off (also twice a week with a circulation of 50,000 copies).

By entering the free press market, Agora SA aims to reinforce its position in the ad market as well as strengthen *Gazeta Wyborcza*'s position in Warsaw and other Polish cities.

In 2001, *Metro* brought revenue of PLN 0.3 million, while operating cost amounted to PLN 0.4 million (including newsprint and other production materials of PLN 0.18 million).

INTERNET (with allocations)

Total online revenue in 2001 amounted to PLN 3.8 million (including advertising revenue of PLN 3.0 million) and increased by 7.2%.

In December 2001, there were 102 employees working on the project, including 4 allocations. Operating costs reached PLN 29.1 million, including D&A of PLN 10.6 million and promotion of PLN 4.4 million. The internet project contributed negatively to the Company's net result by PLN 18.2 million. Capital expenditures (fixed assets, intangible assets and investments-in-progress) amounted to PLN 17.9 million.

In November 2000, as part of its internet activities, Agora SA, along with ComputerLand S.A., set up a joint venture Centrum Handlu Internetowego Sp. z o.o. (CHI). On September 26, 2001, CHI's commercial activities commenced with the launch of its e-shopping mall vendi.pl.

The Centrum Handlu Internetowego Sp. z o.o. is not subject to consolidation.

To sum up, the internet venture, including revenue/cost of the internet project and provisions set up for CHI shares (PLN 4.0 million), decreased the Group's net result by PLN 22.2 million.

NEW BUSINESS DEVELOPMENT DIVISION

In 2001, operating costs of the division were PLN 2.5 million (including legal and audit services of PLN 1.3 million), which decreased the Group's net result by PLN 1.8 million.

COST STRUCTURE

Operating costs (in PLN million)	2001	2000	%growth '01/'00
Raw materials and consumables	183.9	185.5	(0.8%)
<i>incl. newsprint GW</i>	<i>152.4</i>	<i>153.0</i>	<i>(0.4%)</i>
Staff costs	191.2	179.1	6.8%
<i>incl. payroll</i>	<i>158.5</i>	<i>148.8</i>	<i>6.5%</i>
D & A	90.1	53.0	69.9%
Other costs	174.3	172.4	1.1%
TOTAL operating costs	639.5	590.0	8.4%
TOTAL operating costs before D&A	549.4	537.0	2.3%

Raw materials and consumables

In 2001 newsprint used for *Gazeta Wyborcza* accounts for 82.9% of this category of costs.

Staff costs

To cope with the challenging macroeconomic climate, a cost cutting program has been implemented over the past six months. As the next phase of the program the management reviewed the staff costs. Consequently, the pay freeze for all staff in 2002 was implemented. All the above being insufficient, and after the work organization restructuring, the management board decided to reduce employment by 5%.

At the end of December 2001, the Company had over 3,312 employees, that is 126 less than in December 2000 and 114 less than in September 2001.

In 2001, the average full time employment rose by 7.7% y-o-y, mainly due to staff increase in printing plants in the second half of 2000.

Depreciation and Amortization

The increase in D&A costs results mainly from printing investments which were completed in the second half of 2000.

Other costs include: advertising and representation expenses (PLN 35.7 million), external printing of *Gazeta Wyborcza* (PLN 20.6 million), rental fees (PLN 14.5 million), telecommunications (PLN 13.2 million), IT services (PLN 12.2 million), legal services (PLN 7.5 million), newspaper transportation (PLN 6.6 million). This category also comprises set up provisions for bad debt (PLN 7.8 million).

COST STRUCTURE (excluding Internet Project, Radio Division, New Business Development and New Office Building)

Operating costs	%growth		
(in PLN million)	2001	2000	h '01/'00
Raw materials and consumables	183.7	185.2	(0.8%)
Staff costs	179.8	171.2	5.0%
<i>incl. payroll</i>	<i>149.3</i>	<i>143.0</i>	<i>4.4%</i>
D&A	79.3	51.4	54.2%
Other costs	161.2	166.2	(3.0%)
TOTAL operating costs	604.0	574.0	5.2%
TOTAL operating costs before D&A	524.7	522.6	0.4%

FINANCIAL OVERVIEW

PROFIT AND LOSS ACCOUNT

(in PLN million)	%growth		
	2001	2000	h '01/'00
Net revenue	777.1	810.7	(4.2%)
Operating costs	(639.5)	(590.0)	8.4%
Operating profit before other non-recurring charges	137.5	220.7	(37.7%)
Other non-recurring charges	(20.3)	(13.7)	48.6%
Profit after other non-recurring charges	117.2	207.0	(43.4%)
Profit on disposal of TKP shares	104.0	—	—
Provisions set-up for Inforadio Sp. z o.o. and CHI	(17.7)	—	—
Profit after other charges and charges on investments	203.5	207.0	(1.7%)
Pretax profit	207.3	224.5	(7.7%)
Corporate income tax	(31.0)	(54.3)	(43.0%)
Net Profit	176.3	170.2	3.6%
EPS - net revenue per share (PLN)	3.11	3.00	3.6%
EBITDA (PLN million)	228.5	276.1	(17.2%)
EBITDA margin	29.4%	34.1%	(4.7 pp)

Other non-recurring charges

In 2001, *other non-recurring charges* include:

- provision of PLN 12.5 million set up for used office equipment and leasehold improvements in the buildings to be abandoned in the beginning of 2002 due to completion of the first stage of works in the new office building as well as for net value of the old premises of *Gazeta Wyborcza*, where the second part of the new office building is to be constructed,
- provision of PLN 5.9 million (net book value), for diminution in value of the old disassembled printing press,
- provision of PLN 1.5 million, for redundancies cost to be incurred in 2002 (a consequence of the program introduced in 2001),
- lay-offs cost incurred in 2001 amounting to PLN 0.4 million.

Profit on disposal of 12.12% stake in Telewizyjna Korporacja Partycypacyjna S.A. (TKP) was PLN 104.0 million - described more extensively in the additional information. The sale of TKP shares increased the Company's net result by PLN 101.9 million.

Provisions set up for the repayment of a bank loan granted to the affiliated entity, Inforadio Sp. z o.o., and guaranteed by Agora in the amount of PLN 9.6 million and for shares and loans in the amount of PLN 4.1 million. Furthermore, in the fourth quarter of 2001, a PLN 4.0 million provision was set up for shares of Centrum Handlu Internetowego Sp. z o.o. (CHI).

Net of financial activities included primarily interests, result on sale of commercial securities, FX differences and costs of long-term EURO purchase contracts.

In 2001, the revenue on short-term financial investments (sale of commercial securities, forwards and bank deposits) amounted to PLN 33.3 million (including revenue accrued on commercial securities as of December 31, 2001 of PLN 6.5 million). The average return on investments in securities (only PLN-denominated securities and bank deposits) was 18.9% p.a.

In 2001, due to unexpected long-term weakness of the EURO against PLN, the Group decided to terminate the EURO purchase contracts. Closing three EURO purchase contracts incurred a cost of PLN 26.1 million (in 2000 realized costs of PLN 8.5 million and unrealized FX losses of PLN 5.7 million).

The dividend received from the Warsaw-based *Pogoda* radio amounted to PLN 2.4 million, from the Katowice-based *Karolina* radio amounted to PLN 0.4 million.

Profit and loss account before non-recurring charges (excluding Internet Project, Radio Division, New Business Development, New Office Building and TKP transactions)

(in PLN million)	2001	2000	%growth '01/'00
Operating profit before other non-recurring charges	167.9	229.5	(26.8%)
Pretax profit	168.0	244.2	(31.2%)
Net profit	129.8	182.9	(29.0%)
EPS - net revenue per share (PLN)	2.29	3.22	(29.0%)
EBITDA (PLN million)	247.7	283.3	(12.6%)
EBITDA margin	32.1%	35.3%	(3.2pp)

BALANCE SHEET

(in PLN million)	31.12.2001	31.12.2000	%growth '01/'00
TOTAL ASSETS	1,157.9	1,051.5	10.1%
Current assets	313.1	319.1	(1.9%)
	<i>Share in balance sheet total</i>	27.0%	30.3%
Fixed assets	844.8	732.4	15.3%
	<i>Share in balance sheet total</i>	73.0%	69.7%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,157.9	1,051.5	10.1%
Current liabilities	115.8	116.2	(0.3%)
	<i>Share in balance sheet total</i>	10.0%	11.0%
Long term liabilities	21.5	91.0	(76.4%)
	<i>Share in balance sheet total</i>	1.9%	8.7%
Equity	1,020.6	844.3	20.9%
	<i>Share in balance sheet total</i>	88.1%	80.3%

Current liabilities, as of December 31, 2000, decreased by 0.3%, mainly due to reduction in liabilities for newsprint supply by PLN 6.7 million.

On the other hand, there was an increase in provisions as compared to December 31, 2000. This resulted from provisions set up for the repayment of 63.63% of the bank loan granted to the affiliated company, Inforadio Sp. z o.o., guaranteed by Agora in the amount of PLN 9.6 million.

Long-term liabilities, as of December 31, 2000, decreased by the amount of a loan received from Cox along with interest following the exchange of a loan from Cox for 49% of Agora's shares in TKP S.A. (described in detail in the report for the second quarter of 2001).

On December 31, 2001, the Company did not have any long-term debt.

Moreover, a provision for deferred income tax increased by PLN 15.4 million on the back of the settlement of the sale of TKP and exchange of the Cox loan transactions (up by PLN 7.2 million), as well as increasing difference between the depreciation expense and tax allowable depreciation.

CASH FLOW

STATEMENTS

(in PLN million)	2001	2000	%growth '01/'00
Net cash from operating activities	221.4	216.0	2.5%
Net cash from investing activities	(102.0	(198.6	—
)		
Net cash from financing activities	(33.9)	(6.4)	—
Total movement of cash and cash equivalents	85.5	11.0	677.4%
At the end of period	132.9	47.4	180.6%

At the end of the period, the Company had PLN 132.9 million in cash and PLN 56.7 million in short-term securities.

Net cash from investment activities include capital expenditure of PLN 210.9 million (PLN 94.0 million for the development of new office building, PLN 17.9 million for the internet project, PLN 32.7 million for IT and telecommunication investments, PLN 45.6 million for printing base investments), and net proceeds from sales of commercial securities of PLN 103.0 million.

Net cash from financing activities in 2001 represents mainly from the EURO purchase contracts expenditure.

ADDITIONAL INFORMATION

On March 26, 2001 Agora announced a tender offer for the acquisition of shares in Art Marketing Syndicate SA ("AMS"). The tender offer started on April 2, 2001 and closed on April 11, 2001. The tender has been announced in order to acquire shares constituting 24.99% of the total number of votes at the Shareholders' Meeting of AMS at the price of PLN 60 per share. After the price was increased twice, to PLN 63 and PLN 70 shares entitling to 17.95% of the total number of votes at the Shareholders' Meeting were tendered. On April 13, 2001 the Management Board of Agora SA decided not to accept the shares of AMS that have been tendered as insufficient shares were tendered to reach the minimum acceptance threshold specified in the tender offer.

On April 11, 2001 pursuant to the terms and conditions of the Exchangeable Loan Agreement of September 11, 1997 with later amendments between Agora and Cox Poland Investments Inc. (Cox), Agora transferred to Cox 9,158 series A registered shares and 15,445 series B registered shares of TKP. The shares transferred to Cox constitute 5.94% of TKP share capital and are entitled to 5.94% of votes at the TKP General Meeting of Shareholders. The shares were transferred to Cox in exchange for and in complete satisfaction of the

principal and accrued interest under the Exchangeable Loan Agreement. As a result of the transfer, Agora's stake in TKP decreased from 12.12% to 6.18%.

On April 20, 2001 Agora and Cox sold all their shares of TKP to PolCom Invest SA. Agora received PLN 41.3 million for its stake (6.18% of TKP shares). TKP paid Agora PLN 3.6 million of interest, of which PLN 1.8 million was transferred to Cox pursuant to Strategic Alliance Agreement of December 5, 1997. Furthermore, Agora realised PLN 1.6 million of foreign exchange and interest gains on these transactions.

The transaction brought about an increase in tax of PLN 2.1 million, while the tax due on the back of the said transactions (paid in the first half) decreased by PLN 4.6 million.

The sale of TKP shares increased the Company's net result by PLN 101.9 million (calculated as of June 30, 2001).

On July 12, 2001, a total of 2,870,845 additional common bearer shares of Agora SA were listed on the Warsaw Stock Exchange. These shares constitute 16% of the Company's free float. Of these 2.5 million shares are in possession of shareholders who acquired the shares as a result of the Company's transformation into the joint stock company in 1998. The remaining shares constitute those acquired as a result of incentive plans implemented by Agora. On July 1, 2001, the lock-up on those shares has expired in accordance with the principles disclosed in the international offering circular.

On December 27, 2001, 190 beneficiaries of incentive plans purchased from Agora-Holding a total of 22,406 common registered series D shares of Agora and 276 beneficiaries purchased from Agora-Holding a total of 1,318,240 common registered series B shares of Agora. The purchase took place due to the execution of the conditional rights to purchase shares resulting from the incentive plans implemented by Agora and Agora-Holding. The granting of the conditional rights to purchase shares was confirmed by the General Meeting of Shareholders of Agora dated June 27, 2001. The unit purchase price for share is PLN 1.00. The Series D shares are subject to lock-up until July 2003. The Series B shares are subject to lock-up until July 2006 in such a way that each year the lock-up will expire in respect to 20% of the initial number of shares unless there appear other conditions provided for in the agreements between Agora and Agora-Holding and between Agora-Holding and each of the purchasers of the above shares.

- Ownership of Agora's shares and rights to these shares by members of the Management Board
a. shares

	Ownership at 31/12/2001
Wanda Rapaczynski	1,416,423
Piotr Niemczycki	1,881,300
Helena Łuczywo	1,382,329
Zbigniew Bąk	18,901

- b. conditional right to purchase shares (under the condition of signing a lock-up agreement)

	Ownership at 31/12/2001
Wanda Rapaczynski	0
Piotr Niemczycki	0
Helena Łuczywo	0
Zbigniew Bąk	0

- Ownership of Agora's shares and rights to these shares (members of the Supervisory Board).

**Ownership at
31/12/2001**

Henryka Bochniarz	0
John Mellott	0
Tomasz Sielicki	33
Stanisław Sołtysiński*	-
Louis Zachary	0

Stanisław Sołtysiński invests in a Blind Trust fund

Shareholders entitled to execute more than 5% of the votes at the General Shareholder Meeting

	Number of shares	% stake in share capital	Number of votes at AGM	% share in number of votes at AGM
Ownership at 31/12/2001				
Agora-Holding Sp. z o. o.	15,355,351	27.05%	32,461,111	42.80%
Cox Poland Investment, Inc.	5,818,450	10.25%	7,774,690	10.25%
Bankers Trust Company	5,504,794	9.7%	5,504,794	7.26%

POST BALANCE SHEET EVENTS

The post balance sheet events that have taken place after the 31 December 2001 are described in the note 26 to the financial statement.

Warsaw, 12 April 2001

Wanda Rapaczynski – President
Piotr Niemczycki - Vice President
Helena Łuczywo - Member of the Board
Zbigniew Bąk - Member of the Board