

## **INTERIM RESULTS FOR NINE MONTHS TO 30 SEPTEMBER 1999**

### **REVENUE RISES 28% TO PLN 499 MILLION, NET PROFIT UP 14.5%**

#### **Highlights**

- Agora revenue rose by 28 % to PLN 498.5 million (1998: PLN 389.5 million)
- Gazeta daily copy sales up 2.8% strengthening its market leading position
- Newspaper advertising revenue-per-page up 17.5%
- Local radio group EBITDA positive, ahead of expectations; turnover triples
- Printing plant development programme on schedule
- Operating profit up 10.6% to PLN 126.6 million (1998: PLN 114.5 million)
- Pretax profit up 13.2% to PLN 131.1 (1998: PLN 115.8 million)
- Net profit increased by 14.5% to 86,7 (1998: PLN 75,6 million)

#### **Wanda Rapaczynski, President of the management board:**

**„We are very pleased with these results. By extra effort of our team our newspaper business has performed strongly and advertising revenue continue to grow rapidly despite tougher economic conditions than we expected while building our plan for 1999.”**

#### **Notes:**

These 9-month results are prepared under Polish accounting standards on an unconsolidated basis. Consolidated results, presented according to both PAS and IAS will be released on 4<sup>th</sup> December 1999.

All financial comparisons exclude extraordinary expense of 34.7 million PLN booked in April 1998, as well as PLN 19 million of non-cash redemption of shares connected with restructuring of the Company

#### **OVERVIEW**

Despite a slowdown in Poland's economic growth, the newspaper advertising market is still growing at a healthy year-on-year rate. Cumulated three quarters advertising sales revenue performed in line with our expectations. In the third quarter we observed the usual Summer slowdown in advertising.

#### **OPERATING REVIEW**

##### **Gazeta Wyborcza**

Gazeta maintains its position as Poland's number 1 newspaper both in terms of circulation and revenues. Average number of copies sold daily in the period to September 30 rose 2.8% to nearly 444 thousand. Average volume was 123 pages with an average cover price of 1,47 PLN.

Average number of advertising pages published daily in all national and local editions was 373. Revenue per ad page was 4,370.5 PLN (including classifieds), 17.5 % up from 1998.

Gazeta's printing capacity programme, which will give the paper greater production flexibility and control over its printing cost base, is on schedule.

##### **Radio**

Audience share in target group of local music stations group increased to 7.1 %, making it the largest player in the local radio market in Poland. The aggregate revenue of local stations group more than tripled to PLN 23.1 million, from the same period in 1998.

Agora increased stakes in Warsaw's „Pogoda” station to 72% from 49%.

The local radio group became EBITDA positive in the first nine months of 1999, ahead of management expectations. EBITDA was 2.3 million PLN compared with a loss of 1.5 million in 1998.

## **TV**

On 25 October 1999 Agora received a PLN 22.5 million repayment of the loan granted to TKP. On the same day Agora contributed PLN 22.5 million to the increased share capital of TKP. The capital increase contribution did not require new funds because it was funded by the loan repayment. In the fourth quarter of 1999 the Company will consider making a provision for the additional capital in TKP in keeping with the requirements of prudent accounting.

After the registration of capital increase Agora will have 12.2% share in TKP share capital.

## **FINANCIAL HIGHLIGHTS**

In the period from January 1, 1999 to September 30, 1999 the following operating trends occurred in comparison to the same period of 1998. All comparisons exclude an extraordinary expense of PLN 34.7 million booked in April 1998.

Revenues rose 28 % to PLN 498.5 million (1998: PLN 389.5 million) as a result of rising newspaper sales and the strong growth in advertising revenues. Operating profit rose 10.6% to PLN 126.6 million (1998: PLN 114.5 million) and pre-tax profit increased 13.2% to PLN 131.1 (1998: PLN 115.8 million).

Operating costs were up by 35.4 % to PLN 374.0 million and before Depreciation & Amortisation (D&A) rose by 30.4 % to PLN 345.3 million. Operating margins before D&A decreased to 31.2 % from 32.3% and operating margins post D&A fell to 25.4 % from 29.4%. The falling margins resulted from an increase in D&A and the increased cost of external printing subsequent to increase of advertising rates and from the cost associated with launch of „High Heels”, new supplement to „Gazeta Wyborcza”.

Over 50% of external printing is delivered by Agora-Poligrafia Sp. z o.o. (limited liability company), the wholly owned subsidiary of Agora. Therefore the consolidated results will show better profitability.

Net operating cashflow increased to PLN 145.6 million compared to PLN 104.3 million for the first nine months of 1998.

Depreciation increased to PLN 28.8 million from PLN 11.5 million reflecting investments in printing capacity and IT.

## **OUTLOOK**

Strong advertising growth is expected to continue, fuelled by both secular trends associated with GDP growth and structural changes in Polish economy. Completion of the new printing plants in 2001 will deliver significant benefits including an improved advertising package based on increased colour capacity and the removal of constraints on Gazeta's page count and other technical barriers. Whilst Gazeta remains Agora's core business and a stepping stone to future expansion, Management is also focusing on potential growth in related media, assisted by a clean balance sheet.

## **NOTES TO THE ACCOUNTS**

### **Basis of preparation**

The interim financial information has been prepared under Polish accounting rules on the basis of the accounting policies set out in the Group's 1998 statutory accounts.

### **Exchange**

Selected financial data were converted to EURO in the following manner:

- positions of the P&L statement for the 3rd quarter of 1999 were converted using the arithmetical average of average exchange rates published by the National Bank of Poland for the last day of every month within the quarter, i.e. 4.2162 PLN for 1 Euro.
- positions of the P&L statement for the first nine months of 1999 were converted using the arithmetical average of average exchange rates published by the National Bank of Poland for the last day of every month within this period, i.e. 4.2094 PLN for 1 EURO.
- balance sheet entries were converted using the average exchange rate published by the National Bank of Poland for the last day of the quarter, i.e. 4.3353 PLN for 1 EURO.

### **Provisions**

In the period from January 1, 1999 to September 30, 1999 there was an increase in provisions resulting from:

- increase in provisions for bad debt in the amount of 6,292.7 thousand PLN;
- increase in provision for interest on long-term loans in the amount of 5,565.0 thousand PLN;

As at September 30, 1999 provision for deferred income taxes amounted to 9,603.6 thousand PLN and increased by 2,766.0 thousand PLN compared to January 1, 1999.

### **5% shareholdings**

According to the best knowledge of the Company the following shareholders hold more than 5% votes at the general Meeting of Shareholders (in parentheses share in the total number of votes at the end of 1<sup>st</sup> quarter 1999):

Agora-Holding Sp. z o.o. – 47.80% (47.80%);  
 Cox Poland Investment, Inc. – 12.19% (12.19%);  
 Bankers Trust Company – 9.57% (8.95%).

Quarterly report for the 3rd quarter 1999

SELECTED FINANCIAL DATA (current year)	'000 PLN		'000 EURO	
	3rd quarter from 1/07/99 to 30/09/99	cumulatively from 1/01/99 to 30/09/99	3rd quarter from 1/07/99 to 30/09/99	cumulatively from 1/01/99 to 30/09/99
<b>I. Net Sale Revenue</b>	161 200	498 524	38 233	118 431
<b>II. Operating Profit (Loss)</b>	39 186	126 561	9 294	30 066
<b>III. Profit (Loss) Before Taxes</b>	48 129	131 111	11 415	31 147
<b>IV. Net Profit (Loss)</b>	30 904	86 651	7 330	20 585
<b>V. Assets (as at 30/09/99)</b>	955 963		220 507	
<b>VI. Shareholders' Equity (as at 30/09/99)</b>	737 908		170 209	
<b>VII. Number of Shares (as at 30/09/99)</b>	56 757 525		56 757 525	
<b>VIII. Net Book Value per Share (in PLN) (as at 30/09/99)</b>	13,01		3,00	

Balance Sheets '000 PLN	as at	as at	as at	as at
	30/09/98 (prior year)	30/06/98 (prior year)	30/09/99 (current year)	30/06/99 (current year)
<b>ASSETS</b>				
<b>I. Fixed Assets</b>	<b>357 458</b>	<b>290 542</b>	<b>496 176</b>	<b>446 696</b>
1. Itangible assets	10 410	7 301	34 329	35 283
2. Tangible fixed assets	199 825	155 713	303 837	254 885
3. Financial fixed assets	147 223	127 528	157 824	156 528
4. Long-term receivables	-	-	186	-
<b>II. Current Assets</b>	<b>126 074</b>	<b>143 406</b>	<b>458 036</b>	<b>464 220</b>
1. Inventories	12 215	9 338	16 984	14 317
2. Accounts receivable	60 588	70 568	79 684	77 475
3. Own shares for sale	-	-	-	-
4. Current marketable securities	42 035	55 111	203 062	362 476
5. Cash and cash equivalent	11 236	8 389	158 306	9 952
<b>III. Deferred settlements</b>	<b>2 728</b>	<b>2 707</b>	<b>1 751</b>	<b>1 244</b>
1. Deferred tax asset	-	-	-	-
2. Deferred expenses	2 728	2 707	1 751	1 244
<b>Total Assets</b>	<b>486 260</b>	<b>436 655</b>	<b>955 963</b>	<b>912 160</b>

<b>Balance Sheets</b>				
<b>'000 PLN</b>				
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>I. Shareholders' Equity</b>	<b>243 425</b>	<b>224 529</b>	<b>737 908</b>	<b>707 004</b>
1. Share capital	44 141	44 141	56 758	56 758
2. Not paid-up capital	-	-	-	-
3. Reserve capital	163 863	163 856	593 676	593 658
4. Revaluation reserve capital	1 082	1 089	823	841
5. Other reserve capital	-	-	-	-
6. Foreign exchange gains (losses) on foreign branches translation	-	-	-	-
7. Accumulated profit (loss)	-	-	-	-
8. Net profit (loss)	34 339	15 443	86 651	55 747
<b>IV. Reserves</b>	<b>5 531</b>	<b>5 719</b>	<b>9 603</b>	<b>4 798</b>
1. Accrued income taxes	5 492	5 680	9 603	4 798
2. Other reserve	39	39	-	-
<b>V. Liabilities</b>	<b>228 831</b>	<b>199 020</b>	<b>199 548</b>	<b>186 683</b>
1. Long-term debt	99 747	95 372	77 358	72 848
2. Current liabilities	129 084	103 648	122 190	113 835
<b>VI. Accrued expenses and deferred income</b>	<b>8 473</b>	<b>7 387</b>	<b>8 904</b>	<b>13 675</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>486 260</b>	<b>436 655</b>	<b>955 963</b>	<b>912 160</b>

<b>PROFIT AND LOSS ACCOUNTS</b>	<b>3rd quarter from 1/07/98 to 30/09/98</b>	<b>cumulatively from 1/01/98 to 30/09/98</b>	<b>3rd quarter from 1/07/99 to 30/09/99</b>	<b>cumulatively from 1/01/99 to 30/09/99</b>
<b>I. Net Sales Revenue</b>	<b>127 802</b>	<b>389 535</b>	<b>161 200</b>	<b>498 524</b>
<b>1. Net sales of products</b>	126 775	386 713	160 253	495 714
<b>2. Net sales of merchandise and materials</b>	1 027	2 822	947	2 810
<b>II. Cost of Sales</b>	<b>(65 927)</b>	<b>(197 046)</b>	<b>(82 553)</b>	<b>(257 611)</b>
<b>1. Cost of products sold</b>	(64 927)	(194 368)	(81 720)	(255 057)
<b>2. Cost of merchandise and materials sold</b>	(1 000)	(2 678)	(833)	(2 554)
<b>III. Gross Profit (Loss) on Sales (I-II)</b>	<b>61 875</b>	<b>192 489</b>	<b>78 647</b>	<b>240 913</b>
<b>IV. Selling Expenses</b>	(10 360)	(27 713)	(12 929)	(37 905)
<b>V. General and Administrative Expenses</b>	(16 333)	(46 101)	(25 021)	(69 256)
<b>VI. Profit (Loss) on Sales (III-IV-V)</b>	<b>35 182</b>	<b>118 675</b>	<b>40 697</b>	<b>133 752</b>
<b>VII. Other Operating Income</b>	338	1 192	743	2 057
<b>VIII. Other Operating Expenses</b>	(636)	(40 090)	(2 254)	(9 248)
<b>IX. Operating Profit (Loss) (VI+VII-VIII)</b>	<b>34 884</b>	<b>79 777</b>	<b>39 186</b>	<b>126 561</b>
<b>X. Equity Income</b>	1	1	-	288
<b>XI. Income on Other Financial Fixed Assets</b>	-	-	-	-
<b>XII. Other Financial Income</b>	5 383	19 147	23 806	54 866
<b>XIII. Financial Expenses</b>	(10 778)	(36 933)	(14 862)	(50 614)
<b>XIV. Gross Profit (Loss) on Business Activities (IX+X+XI+XII-XIII)</b>	<b>29 490</b>	<b>61 992</b>	<b>48 130</b>	<b>131 101</b>
<b>XV. Extraordinary Result (XV.1. - XV.2.)</b>	-	<b>9</b>	<b>(1)</b>	<b>10</b>
<b>1. Extraordinary gain</b>	-	11	-	11
<b>2. Extraordinary loss</b>	-	(2)	(1)	(1)
<b>XVI. Profit (Loss) Before Taxes</b>	<b>29 490</b>	<b>62 001</b>	<b>48 129</b>	<b>131 111</b>
<b>XVII. Corporate Income Tax</b>	(10 594)	(27 662)	(17 225)	(44 460)
<b>XVIII. Other Obligatory Profit Decreases (Loss Increases)</b>	-	-	-	-
<b>XIX. Net Profit (Loss)</b>	<b>18 896</b>	<b>34 339</b>	<b>30 904</b>	<b>86 651</b>

<b>Net Profit (Loss) /for 12 monthes ended September 30/</b>	50 288		114 726	
<b>Weighted Average Number of Shares</b>	44 140 500		56 757 525	
<b>Net Profit per Share (in PLN)</b>	1,14		2,03	

<b>CASH FLOW STATEMENTS</b>	<b>3rd quarter from 1/07/98 to 30/09/98</b>	<b>cumulatively from 1/01/98 to 30/09/98</b>	<b>3rd quarter from 1/07/99 to 30/09/99</b>	<b>cumulatively from 1/01/99 to 30/09/99</b>
<b>A. Net Cash Flow from Operating Activities</b>	<b>45 546</b>	<b>69 577</b>	<b>45 147</b>	<b>145 564</b>
<b>I. Net Profit (Loss)</b>	<b>18 896</b>	<b>34 339</b>	<b>30 904</b>	<b>86 651</b>
<b>II. Total Adjustments</b>	<b>26 650</b>	<b>35 238</b>	<b>14 243</b>	<b>58 913</b>
<b>1. Depreciation</b>	4 008	11 460	10 277	28 758
<b>2. Foreign exchange (gains)/losses</b>	4 849	3 460	4 892	19 423
<b>3. Interest and dividends (collected) and paid</b>	(88)	(386)	2 175	6 503
<b>4. (Profit)/Loss on sale and liquidation of investment activities</b>	(1 504)	(2 834)	3 494	7 499
<b>5. Other provisions</b>	1 200	1 200	-	(39)
<b>6. Corporate income tax charged on profit before taxation</b>	10 594	27 662	17 225	44 460
<b>7. Corporate income tax paid</b>	(3 722)	(19 153)	(11 631)	(30 982)
<b>8. Change in inventories</b>	(2 876)	(3 623)	(2 667)	(955)
<b>9. Change in accounts receivable</b>	5 887	(13 330)	(2 146)	(15 542)
<b>10. Change in current liabilities (except for loans and bank credits) including special funds</b>	5 799	8 921	1 265	7 810
<b>11. Change in accruals and prepayments</b>	(522)	(467)	(1 107)	(1 896)
<b>12. Change in deferrred income</b>	1 587	3 036	(3 474)	(2 073)
<b>13. Other items</b>	1 438	19 292	(4 060)	(4 053)
<b>B. Net Cash Flow from Investing Activities</b>	<b>(56 335)</b>	<b>(139 324)</b>	<b>104 046</b>	<b>(273 589)</b>
<b>I. Cash Provided by Investing Activities</b>	<b>98 082</b>	<b>426 601</b>	<b>389 349</b>	<b>1 323 501</b>
<b>1. Sale of intangible assets</b>	-	-	-	-
<b>2. Sale of tangible fixed assets</b>	51	195	15	42
<b>3. Sale of shares and other securities, including those in:</b>	-	-	-	-
- subsidiary companies	-	-	-	-
- associated companies	-	-	-	-
- the parent company	-	-	-	-
<b>4. Sale of current marketable securities</b>	96 637	423 362	389 184	1 322 998
<b>5. Long-term loans collected</b>	-	774	122	122
<b>6. Dividends collected</b>	1	1	-	288
<b>7. Interest received</b>	1 393	2 269	3	24
<b>8. Other income</b>	-	-	25	27
<b>II. Cash Used in Investing Activities</b>	<b>(154 417)</b>	<b>(565 925)</b>	<b>(285 303)</b>	<b>(1 597 090)</b>
<b>1. Purchase of intangible assets</b>	(3 995)	(5 023)	(1 521)	(2 870)
<b>2. Purchase of tangible fixed assets</b>	(41 155)	(91 512)	(25 667)	(54 973)
<b>3. Purchase of shares and other securities, including those in::</b>	(17 025)	(18 975)	(51)	(471)
- subsidiary companies	(16 795)	(18 619)	(51)	(271)
- associated companies	(230)	(356)	-	(200)
- the parent company	-	-	-	-
<b>4. Purchase of own shares (other securities)</b>	-	-	-	-
<b>5. Purchase of current marketable securities</b>	(82 088)	(436 212)	(228 781)	(1 480 881)
<b>6. Long-term loans extended</b>	(3 059)	(7 108)	(1 212)	(3 182)
<b>7. Other expenses</b>	(7 095)	(7 095)	(28 071)	(54 713)
<b>C. Net Cash Flow from Financing Activities</b>	<b>13 636</b>	<b>68 229</b>	<b>(839)</b>	<b>279 363</b>
<b>I. Cash Provided by Financing Activities</b>	<b>15 689</b>	<b>70 975</b>	-	<b>379 755</b>
<b>1. Long-term bank credits and loans raised</b>	1 732	1 732	-	-
<b>2. Bonds and other long-term securities issued</b>	-	-	-	-
<b>3. Current bank credits and loans raised</b>	10 238	64 166	-	-
<b>4. Commercial papers issued</b>	-	-	-	-
<b>5. Shares issued</b>	-	-	-	379 755
<b>6. Additional paid-in capital</b>	-	-	-	-

<b>7. Other income</b>	3 719	5 077	-	-
<b>II. Cash Used in Financing Activities</b>	<b>(2 053)</b>	<b>(2 746)</b>	<b>(839)</b>	<b>(100 392)</b>
<b>1. Long-term bank credits and loans repaid</b>	-	-	-	-
<b>2. Bonds and other long-term securities redeemed</b>	-	-	-	-
<b>3. Current bank credits and loans repaid</b>	-	-	-	(68 082)
<b>4. Commercial papers redeemed</b>	-	-	-	-
<b>5. Expenses connected with share issue</b>	-	-	-	(18 761)
<b>6. Write down of share value</b>	-	-	-	-
<b>7. Dividends and other payments made to shareholders</b>	-	-	-	-
<b>8. Remuneration of supervisory board</b>	-	-	-	-
<b>9. Charitable contributions</b>	(77)	(222)	(95)	(482)
<b>10. Payment of liabilities related to finance lease agreements</b>	-	-	-	-
<b>11. Interest paid</b>	(587)	(2 524)	(744)	(3 732)
<b>12. Other expenses</b>	(1 389)	-	-	(9 335)
<b>D. Net Change in Cash and Cash Equivalents (A+/- B+/-C)</b>	<b>2 847</b>	<b>(1 518)</b>	<b>148 354</b>	<b>151 338</b>
<b>E. Balance Sheet Change in Cash and Cash Equivalents, including:</b>				
- change in cash related to foreign exchange results	45	(35)	8 046	8 058
<b>F. Balance at Beginning of Year</b>	<b>8 389</b>	<b>12 754</b>	<b>9 952</b>	<b>6 968</b>
<b>G. Balance at End of Year (F+/- D)</b>	<b>11 236</b>	<b>11 236</b>	<b>158 306</b>	<b>158 306</b>

<b>CONTINGENT LIABILITIES</b>	<b>as at 30/09/98 (prior year)</b>	<b>as at 30/06/98 (prior year)</b>	<b>as at 30/09/99 (current year)</b>	<b>as at 30/06/99 (current year)</b>
<b>Contingent Liabilities</b>	-	-	-	-
<b>a) Total value of guarantees extended, including those to:</b>	-	-	-	-
- subsidiary companies	-	-	-	-
- associated companies	-	-	-	-
- the parent company	-	-	-	-
<b>b) Other contingent liabilities, specifically:</b>	<b>98 518,0</b>	<b>98 518,0</b>	<b>98 518,0</b>	<b>98 518,0</b>
- guarantees extended	98 518,0	98 518,0	98 518,0	98 518,0
-	-	-	-	-
-	-	-	-	-
<b>Total Contingent Liabilities</b>	<b>98 518,0</b>	<b>98 518,0</b>	<b>98 518,0</b>	<b>98 518,0</b>

Signatures of the persons

Signature of the person responsible

acting on behalf of the Company

for the accounts

Wanda Rapaczynski - President of the Management Board  
Piotr Niemczycki - Vice President of the Management Board

Hanna Kossowska

Helena Łuczywo - member of the Management Board  
Jerzy Thieme - member of the Management Board

11-04-99