Polish advertising market in 2000

Advertising market growth slower than expected

<table>
<thead>
<tr>
<th>Segment</th>
<th>Forecast (FY)</th>
<th>Actual (H1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>22.8%</td>
<td>20.5%</td>
</tr>
<tr>
<td>TV</td>
<td>22.2%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Press</td>
<td>23.5%</td>
<td>18.3%</td>
</tr>
<tr>
<td>Radio</td>
<td>25.1%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Outdoor</td>
<td></td>
<td>4.1%</td>
</tr>
</tbody>
</table>

Reasons for market slowdown

- Higher inflation
- Lower consumer demand:
  - Slowdown of automotive sector
  - Slowdown of FMCG
- Pension fund ads one time event in 1999

* All figures reflect nominal growth in PLN

Advertising market below expectations, print least affected
Gazeta - advertising results

**National market share**

- Revenue
  - Gazeta: +23.7% to PLN 169 million
  - Market: +22.1%

- Lineage

**Warsaw market share**

- Revenue
  - Gazeta: +14.5% to PLN 69 million
  - Market: +14.6%

- Lineage

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**Consolidate position in national and Warsaw markets**

- Pricing & discounting policy
- Driver sectors: telecom, real estate, travel, automotive, consumables, shopping centers
- New supplements gain new ad segments
- Warsaw classifieds grow in number and revenue
- Preprints add revenue beyond shown
Gazeta - advertising results in local markets

**Growth in local markets**

- **Lineage**
  - Market: 4.7%
  - Gazeta: 16.0%

- **Revenue**
  - Market: 13.3%
  - Gazeta: 23.6%

**Major local ad categories**

- **Automotive**
  - GW Share: 6.8%
  - Growth: 17.0%

- **Home**
  - GW Share: 23.3%
  - Growth: 19.1%

- **Shopping C.**
  - GW Share: 16.4%
  - Growth: 63.8%

- **Announcements**
  - GW Share: 18.0%
  - Growth: 19.2%

- **Employment**
  - GW Share: 2.3%
  - Growth: 70.1%

*Source: Agora*

**Agora’s H1 2000 performance**

- Share in lineage up by 3.9 pp. (to 39.3%)
- Share in revenue up by 1.9 pp. (to 24.8%)

**Developing local markets drive new growth opportunities**
Gazeta in local markets - tangible success

Spectacular results in Wrocław market

**Growth in revenue and lineage**

- Revenue: 42.9%
- Lineage: 26.7%

**Market share**

- Revenue: 12.5%
- Lineage: 5.5%

*nominal data (without discounts)*

Local strategy delivers results in major local markets
Gazeta in local markets - tangible success

Employment advertisements - Gazeta vs. local competition in March 2000

- 10 local dailies included in the research
- Job ads for: salesmen, IT Managers, Chief Accountants

Source: SMG/KRC & SMG/KRC Human Resources

Credibility and strong brand name help win key categories
Gazeta - circulation growth

**National competition**

- Gazeta: +3.1%
- Super Express: +1.7%
- Rzeczpospolita: -5.9%

**Local competition**

- Agora: +3.1%
- Passauer: +1.5%
- Orkla: -1.8%

*Source: Agora*

- Overall circulation revenue growth by 15.4% to PLN 79 million
- Re-designed TV Guide and new supplement for children boost Friday circulation by 11.6% (or 70,000 copies)
- Monday edition with employment and extended sport section records growth in copy sales by 40,000 copies
- Significant circulation growth in 2 out of 3 strategic markets (Poznań up by 9.6%, Wrocław up by 6.1%)
- 2nd edition of Fantasy Soccer yields 330,000 coupons; helps Monday’s & Friday’s copy sales

**Copy sales keep growing - overall and in strategic local markets**
## Gazeta - key business drivers

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<tr>
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<tbody>
<tr>
<td><strong>Average daily copy sales</strong></td>
<td>409,415</td>
<td>435,877</td>
<td>447,208</td>
<td>453,300</td>
<td>467,231</td>
</tr>
<tr>
<td><strong>Average copy price (PLN)</strong></td>
<td>1.07</td>
<td>1.20</td>
<td>1.48</td>
<td>1.46</td>
<td>1.63</td>
</tr>
<tr>
<td><strong>Average daily pagecount</strong></td>
<td>99.8</td>
<td>118.4</td>
<td>125.8</td>
<td>126.7</td>
<td>132.2</td>
</tr>
<tr>
<td><strong>Share of colour pages</strong></td>
<td>30.1%</td>
<td>40.7%</td>
<td>55.2%</td>
<td>53.5%</td>
<td>58.3%</td>
</tr>
<tr>
<td><strong>Share of ad pages</strong></td>
<td>57.0%</td>
<td>58.4%</td>
<td>57.9%</td>
<td>57.1%</td>
<td>56.6%</td>
</tr>
<tr>
<td><strong>Number of ad pages</strong></td>
<td>88,653</td>
<td>108,073</td>
<td>116,411</td>
<td>55,901</td>
<td>58,878</td>
</tr>
<tr>
<td><strong>Average revenue per ad page (PLN)</strong></td>
<td>3,466</td>
<td>3,876</td>
<td>4,484</td>
<td>4,547</td>
<td>5,245</td>
</tr>
<tr>
<td><strong>Revenue from inserts (PLN ‘000)</strong></td>
<td>5,222</td>
<td>9,046</td>
<td>14,054</td>
<td>6,029</td>
<td>8,977</td>
</tr>
</tbody>
</table>

*Source: Agora*

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**New printing plants begin making impact**
Internet - progress to date

Keep growth momentum during development
Internet - progress to date

Technology

HARDWARE
- SUN Servers
- SUN Collective memory
- Pix firewall

SOFTWARE
- SUN Solaris 5.7 x OS
- Bea Weblogic Server
- DB Oracle 8 i
- DB Open LDAP
- Alta Vista Search Engine
- Dmail & KB mail
- Dnews
- Volano Chat Pro
- Several pieces written by IT staff (ad server, communities)

STAFF
- A team of excellent technology specialists/programmers on board

Content and navigation

CONTENT & DEPTH VARIETY
- Multimedia publication via reengineered newsrooms
- Chats/communities led by journalists to generate tips/stats
- Classifieds - volume, partnerships, searchable data bases
- ‘Expert” content - purchases & deals
- Over 20 thematic channels with solid depth
- 20 local portals
- Radio group adding value

NAVIGATION STRUCTURE
- National/local treatment with multiple access
- Advisory “ sequences”
- Search embedded in simple narratives

Sales

- National sales (25 people including 5 PMs), 3 on-line local staff and sales promotion team
- Staff trained, client education effort underway
- Local SMEs supported by Gazeta’s sales network/mgmt
- Relationships with key classified partners
- New SME product: 1700 cash clients, 16000 quarters, 5000 run this month
- Revenue sharing deals with content partners
- Active participation in on-line measurement syndicate
- Seeded on-line ad spend monitoring
- Graphic design studio to enhance sales

- Most pro-active sales organisation
- Focused on cash revenues
- Significant revenue growth/reach
- Most cash advertisers land on gazeta.pl
Internet - how it will work

**Sources**
- Newsrooms
- Ad sales offices
- 3 rd party content

**Fire wall**

**Internal data base**
(flexible)
Oracle 8.1

*Objects:*
- texts, figures, photos
- graphs, MP3, maps,
- video, page structure,
- page elements

*Assets:*
- Object description

**External data base**
(fixed)
Oracle 8.1

*Objects:*
- internal + external
  sources

**WebLogic**
- sorts
- presents info
- personalizes

**Banner menu logo**

**Internet editor**
puts this universe
in order

**Internet user**
gets personalized
page
Internet - next steps

Advertising and Promotion

- Decided portal name: www.gazeta.pl
  - Gazeta recognized for breadth and depth of coverage, wisdom and friendliness,
  - We are not starting from zero
  - Less expensive to promote
- Currently site promoted in Gazeta, cross-promotion with Netia
- Campaign at launch will promote portal trial

- Launch by year end as planned
- 2000 operating cost: ca. PLN 22 million
- 2000 capex: ca. PLN 30 million
- Team: over 80 people by year end
- Several partnerships/deals nearing completion
Local radios - financial and market performance

Financial information (PLN ‘000)

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</thead>
<tbody>
<tr>
<td>Number of stations</td>
<td>5</td>
<td>9</td>
<td>10</td>
<td>9</td>
<td>13</td>
</tr>
<tr>
<td>Sales</td>
<td>2,054</td>
<td>13,586</td>
<td>33,000</td>
<td>14,226</td>
<td>20,873</td>
</tr>
<tr>
<td>EBITDA</td>
<td>(2,381)</td>
<td>(2,809)</td>
<td>2,640</td>
<td>1,311</td>
<td>1,880</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>(115.9%)</td>
<td>(20.7%)</td>
<td>8.0%</td>
<td>9.2%</td>
<td>9.0%</td>
</tr>
<tr>
<td>Agora’s share in sales</td>
<td>48.6%</td>
<td>54.9%</td>
<td>64.3%</td>
<td>60.61%</td>
<td>68.1%</td>
</tr>
</tbody>
</table>

Source: Agora

Share in national audience

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<tbody>
<tr>
<td></td>
<td>1.5%</td>
<td>4.0%</td>
<td>7.6%</td>
<td>6.5%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

Source: SMG/KRC Radio Track

Warsaw radio Pogoda sets the standard with 45% EBITDA margin
Committed to further growth to build scale
  - acquisitions/new licences
  - doubling or tripling up in major cities

Regulatory issues the potential barrier to growth
  - more regulatory clarity as Poland joins EU

If acquisitions on plan, aggregate revenues > PLN 100 million in 2003
Summary financials

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<tbody>
<tr>
<td>Sales</td>
<td>409,502</td>
<td>549,894</td>
<td>689,689</td>
<td>335,129</td>
<td>406,795</td>
</tr>
<tr>
<td>Operating costs</td>
<td>290,689</td>
<td>397,470</td>
<td>498,421</td>
<td>239,056</td>
<td>287,735</td>
</tr>
<tr>
<td>EBITDA</td>
<td>135,853</td>
<td>177,711</td>
<td>237,212</td>
<td>117,591</td>
<td>146,412</td>
</tr>
<tr>
<td>EBIT</td>
<td>115,751</td>
<td>155,355</td>
<td>191,268</td>
<td>96,073</td>
<td>121,346</td>
</tr>
<tr>
<td>Pre-tax profit</td>
<td>115,184</td>
<td>46,073</td>
<td>190,402</td>
<td>86,812</td>
<td>131,547</td>
</tr>
<tr>
<td>Net profit</td>
<td>62,801</td>
<td>4,177</td>
<td>126,446</td>
<td>56,454</td>
<td>96,082</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>28.3%</td>
<td>28.3%</td>
<td>27.7%</td>
<td>28.7%</td>
<td>29.8%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>33.2%</td>
<td>32.3%</td>
<td>34.4%</td>
<td>35.1%</td>
<td>36.0%</td>
</tr>
</tbody>
</table>

Source: IAS consolidated results

Strong financial results underpin Agora’s leading position
Strategy going forward

Strategic priorities and implementation plan

➔ Multimedia expansion
  • keep internet growth momentum
  • strategic acquisitions
  • strategic alliances and joint ventures

➔ Beef up development staff and bench strength
  • Head of Business Development on board
  • Business Development organization growing
  • implementing a multi-tiered system of identifying and training management talent

➔ Guard growth of core business
  • flagship for brand, credibility, market position
  • cash generative
  • secret weapon in new media competition

Become an active player in European media consolidation