Polish advertising market in 2000

Advertising market growth slower than expected

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
Gazeta - advertising results

**National market share**

- Gazeta: 62%
- Wyborcza: 20%
- Rzeczpospolita: 12%
- Super Express: 7%
- Others: 7%

**Warsaw market share**

- Gazeta: 81%
- Wyborcza: 19%

**Revenue**

- **Gazeta**: + 20.9% to PLN 236 million
- **Market**: + 17.4%

- **Gazeta**: + 14.5% to PLN 104.7 million
- **Market**: + 11.8%
Gazeta - advertising results in local markets

**Growth in local markets**

- Lineage: Market 4.5% | Gazeta 12.7%
- Revenue: Market 18.1% | Gazeta 22.2%

**Major local ad categories**

- Automotive: Market 16.9% | Gazeta 16.6%
- Home: Market 23.4% | Gazeta 21.8%
- Shopping C.: Market 16.0% | Gazeta 16.0%
- Announcements: Market 20.2% | Gazeta 16.0%
- Employment: Market 67.3% | Gazeta 11.7%

Source: Agora

Agora’s 3Q 2000 performance

- Share in lineage up by 2.8 pp. (to 39%)
- Share in revenue up by 1.6 pp. (to 24.8%)

Developing local markets drive new growth opportunities
Gazeta - circulation growth

**National competition**

<table>
<thead>
<tr>
<th></th>
<th>(thousand copies)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gazeta</td>
<td>+3.9%</td>
</tr>
<tr>
<td>Super Express</td>
<td>+0.1%</td>
</tr>
<tr>
<td>Rzeczpospolita</td>
<td>-6.1%</td>
</tr>
</tbody>
</table>

**Source: Agora**

- Overall circulation revenue growth by 14.4% to PLN 115.5 million
- Re-designed TV Guide and new supplement for children boost Friday circulation in September 650,000 copies
- Average daily copy sales up 3.9% to 461,000 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 7.4%, Wrocław up by 10.9%)
- 2nd edition of Fantasy Soccer yields 330,000 coupons; helps Monday’s & Friday’s copy sales

**Local competition**

<table>
<thead>
<tr>
<th></th>
<th>(thousand copies)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agora</td>
<td>+3.9%</td>
</tr>
<tr>
<td>Passauer</td>
<td>+1.1% (10 titles)</td>
</tr>
<tr>
<td>Orkla</td>
<td>-1.2% (11 titles)</td>
</tr>
</tbody>
</table>

* Rzeczpospolita excluded

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

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average daily copy sales</td>
<td>409,415</td>
<td>435,877</td>
<td>447,208</td>
<td>443,815</td>
<td>461,342</td>
</tr>
<tr>
<td>Average copy price (PLN)</td>
<td>1.07</td>
<td>1.20</td>
<td>1.48</td>
<td>1.47</td>
<td>1.64</td>
</tr>
<tr>
<td>Average daily pagecount</td>
<td>99.8</td>
<td>118.4</td>
<td>125.8</td>
<td>122.5</td>
<td>129.5</td>
</tr>
<tr>
<td>Share of colour pages</td>
<td>30.1%</td>
<td>40.7%</td>
<td>55.2%</td>
<td>54.1%</td>
<td>61.2%</td>
</tr>
<tr>
<td>Share of ad pages</td>
<td>57.0%</td>
<td>58.4%</td>
<td>57.9%</td>
<td>57.4%</td>
<td>56.5%</td>
</tr>
<tr>
<td>Number of ad pages</td>
<td>88,653</td>
<td>108,073</td>
<td>116,411</td>
<td>84,764</td>
<td>87,900</td>
</tr>
<tr>
<td>Average revenue per ad page (PLN)</td>
<td>3,466</td>
<td>3,876</td>
<td>4,484</td>
<td>4,409</td>
<td>5,086</td>
</tr>
<tr>
<td>Revenue from inserts (PLN ‘000)</td>
<td>5,222</td>
<td>9,046</td>
<td>14,054</td>
<td>9,045</td>
<td>12,809</td>
</tr>
</tbody>
</table>

Source: Agora

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New printing plants begin making impact
Radio market

Share in radio market

- Fragmented local market (200 stations)
- 20 biggest local stations account for 40% of ad revenue from local market
- The biggest local stations in September - Radio Pogoda (PLN 2.2 million of revenue) & Warsaw Radio Kolor (PLN 1.7 million)
- Estimated Agora’s share in local radio ad market is around 10%

<table>
<thead>
<tr>
<th>Revenue</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>National</td>
<td>PLN 157 million</td>
</tr>
<tr>
<td>Local</td>
<td>PLN 139 million</td>
</tr>
</tbody>
</table>

Source: CR Media Monitoring, May-September 2000
Local radio group

<table>
<thead>
<tr>
<th>Station</th>
<th>City</th>
<th>Launch date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kolor</td>
<td>Wrocław</td>
<td>May ‘96</td>
</tr>
<tr>
<td>Elita</td>
<td>Bydgoszcz</td>
<td>September ‘97</td>
</tr>
<tr>
<td>Trefl</td>
<td>Gdańsk</td>
<td>September ’97</td>
</tr>
<tr>
<td>Pogoda</td>
<td>Warszawa</td>
<td>November ’97</td>
</tr>
<tr>
<td>Radio C.</td>
<td>Częstochowa</td>
<td>July ’98</td>
</tr>
<tr>
<td>O’le</td>
<td>Opole</td>
<td>February ’98</td>
</tr>
<tr>
<td>Karolina</td>
<td>Katowice</td>
<td>October ’98</td>
</tr>
<tr>
<td>*88,4 Jazz FM</td>
<td>Poznań</td>
<td>July ’97</td>
</tr>
<tr>
<td>*103,4 FM</td>
<td>Poznań</td>
<td>November ’98</td>
</tr>
<tr>
<td>*93,5 Klasyka FM</td>
<td>Poznań</td>
<td>October ’98</td>
</tr>
<tr>
<td>Na fali</td>
<td>Świnoujście</td>
<td>January ’00</td>
</tr>
<tr>
<td>Klasyka</td>
<td>Warszawa</td>
<td>March ’00</td>
</tr>
<tr>
<td>Barys</td>
<td>Katowice</td>
<td>April ’00</td>
</tr>
<tr>
<td>RES 95,7 FM</td>
<td>Rzeszów</td>
<td>November ’00</td>
</tr>
</tbody>
</table>

- First formatted radio stations in Poland
- Target group - aged 25-45, cities over 100,000 inhabitants

* Stations operated by BOR in with Agora owns 46%
Local radio group

Financial information (PLN ‘000)

<table>
<thead>
<tr>
<th>Year</th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>3Q 1999</th>
<th>3Q 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of stations</td>
<td>5</td>
<td>9</td>
<td>10</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>Sales</td>
<td>2,054</td>
<td>13,586</td>
<td>33,000</td>
<td>21,624</td>
<td>30,691</td>
</tr>
<tr>
<td>EBITDA</td>
<td>(2,381)</td>
<td>(2,809)</td>
<td>2,640</td>
<td>2,286</td>
<td>2,186</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>(115.9%)</td>
<td>(20.7%)</td>
<td>8.0%</td>
<td>10.6%</td>
<td>7.1%</td>
</tr>
<tr>
<td>Agora’s share in sales</td>
<td>48.6%</td>
<td>54.9%</td>
<td>64.3%</td>
<td>62.6%</td>
<td>68.3%</td>
</tr>
</tbody>
</table>

Source: Agora

Share in national audience

<table>
<thead>
<tr>
<th>Year</th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>3Q 1999</th>
<th>3Q 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share</td>
<td>1.5%</td>
<td>4.0%</td>
<td>7.6%</td>
<td>7.7%</td>
<td>9.8%</td>
</tr>
</tbody>
</table>

Source: SMG/KRC Radio Track

Warsaw radio Pogoda sets the standard with 45% EBITDA margin
Local radios - development plan

» 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
Worldwide trends in media sector

Changing media landscape

- new distribution channels & ways to reach users
- entry barriers re-defined (regulations, licencing)
- challenge for old media
- market consolidation

Implications for content owners

- reach user with enriched offer
- content presentation: interactivity & new challenges (WAP)
- new revenue streams
- recognized brand name guarantees success
- technology is a key
Internet - progress to date

**Growth in Internet page views**

- Launch of portal
- Aspire to be the most frequently visited online service...

**Growth in visits**

- Launch of portal
- ...with richest content...

**Growth in revenue**

- Launch of portal
- ...and attractive for advertisers

*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

- Modular page structure facilitates personalisation
- Architecture aids endless content development
- Allows unlimited growth in usage

- ‘Draws in ‘ users, builds share/stickiness
- Expanding advertising inventory (scope and targetting)
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

Ad server

Internet user gets personalized
page

Internet editor puts this universe in order
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 12 million
- 2000 capex: ca. PLN 20 million
- Team: over 80 people by year end
- Several partnerships/deals nearing completion
## Summary financials

### Summary financial information (PLN ‘000)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>409,502</td>
<td>549,894</td>
<td>689,689</td>
<td>495,217</td>
<td>591,761</td>
</tr>
<tr>
<td>Operating costs</td>
<td>290,689</td>
<td>397,470</td>
<td>498,421</td>
<td>354,885</td>
<td>431,968</td>
</tr>
<tr>
<td>EBITDA</td>
<td>135,853</td>
<td>177,711</td>
<td>237,212</td>
<td>170,073</td>
<td>204,485</td>
</tr>
<tr>
<td>EBIT</td>
<td>115,751</td>
<td>155,355</td>
<td>191,268</td>
<td>140,332</td>
<td>162,938</td>
</tr>
<tr>
<td>Pre-tax profit</td>
<td>115,184</td>
<td>46,073</td>
<td>190,402</td>
<td>137,471</td>
<td>169,584</td>
</tr>
<tr>
<td>Net profit</td>
<td>62,801</td>
<td>4,177</td>
<td>126,446</td>
<td>90,156</td>
<td>125,239</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>28.3%</td>
<td>28.3%</td>
<td>27.7%</td>
<td>28.3%</td>
<td>27.5%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>33.2%</td>
<td>32.3%</td>
<td>34.4%</td>
<td>34.3%</td>
<td>34.6%</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