23 January 2012

Update

BRE Bank Securities

Media

Poland

Agora

Buy

AGO PW; AGOD.WA

(Reiterated)

Current price	**PLN 10.66**
Target price	**PLN 15.30**
Market cap	PLN 543m
Free float	PLN 397.6m
Average daily trading (3M)	PLN 2.58m

Tough Market vs. Attractive Valuation

The advertising market slowed down to just 2.0% y/y in Q3'11. Advertisers are clearly concentrating on campaigns focused on short-term sales at the expense of brand-building, which might testify to their skepticism and conservative approach to future consumer demand. We have therefore decided to revise our assumptions concerning future growth in the advertising market. Under this more conservative scenario, we have cut our price target for Agora to PLN 15.3 per share (from PLN 19.0 per share). The current price of the stock seems to be pricing in a negative scenario that is out of measure with those applied to other media companies. Agora's enterprise value amounts to ca. PLN 450m. Meanwhile, when the cinema segment (Helios) was acquired in 2010, its EV amounted to PLN 200m, and its earnings have since confirmed this value. According to our estimates, this year it will generate an EBITDA of ca. PLN 32.5m, which implies an EV/EBITDA of 6.1x, or 3% below the median for peers from developed markets. If we add a premium that a cinema operator deserves in the less saturated Polish market, PLN 200m still seems to be the correct estimate of its fair value. Contrary to what some investors think, Agora is not a business in decline. Plans for the cinema segment (with at least three new cinemas to be opened this year, in Grudziądz, Bydgoszcz and Nowy Sącz) and the online segment, which is surging ahead at 15%, are increasing the Company's exposure to areas of growth, transforming it into a modern media holding. Agora is commonly identified with its flagship daily *Gazeta Wyborcza*, and press publications provide 53% of its EBITDA. The growth of the other segments will bring this proportion down to 31%. Taking into account the stock's 40% upside potential, we are reiterating our buy rating.

Shareholder structure

Agora-Holding Sp. z o.o.	11.18%
BZ WBK AIB AM	15.59%
Others	73.23%

Sector Outlook

Advertising is a late-cycle industry dependent on GDP growth and investments. Advertising companies typically have high operating leverage. In spite of a slowdown in GDP growth and a hiatus in investments, we are optimistic about the growth of advertising expenditure in the long term, as it is still considerably lower per capita and as a percentage of GDP than in EU15.

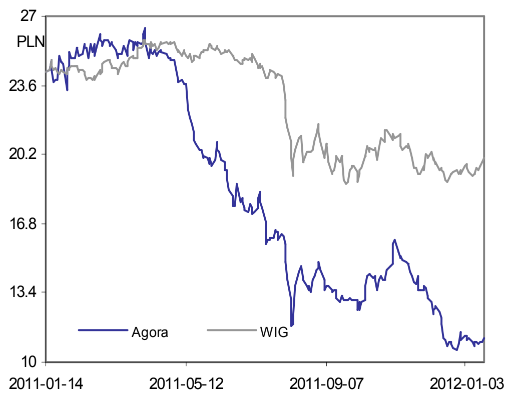
Company Profile

Agora is one of the largest Polish media groups. Its business includes newspaper, magazine, and book publishing, outdoor advertising and radio broadcasting. We estimate that Agora has a 12.8% share in advertising expenses in general, a 45% share in newspaper advertising, and a ca. 27% share in outdoor advertising. The company owns one of Poland's biggest web portals, Gazeta.pl and Poland's third-biggest ciname operator, Helios.

Important Dates

27.02.12 - Q4 2011 report

Agora vs. WIG



Forecast revisions

Q3 2011 brought further signals of a deterioration in the advertising market and the advertisers' growing conservatism with respect to the construction and use of advertising budgets. This is a very bad harbinger for 2012, as it means that the Polish advertising market will not accelerate in spite of the Euro 2012 soccer championship. In our model, we have reduced our expectations concerning the growth of advertising expenditures in Poland in the near future from 5.0% in 2011 and 7% in 2012 to 3.0% and 3.0%, respectively. Our revision affects the most to Agora's key newspaper and magazine businesses, where 2012 growth projections have been cut from -3.2% y/y to -6.7% y/y and from +4.0% y/y to -5.0% y/y, respectively.

(PLN m)	2009	2010	2011F	2012F	2013F
Revenue	1 110.1	1 116.7	1 225.5	1 220.3	1 250.6
EBITDA	134.1	167.3	144.4	130.9	135.1
EBITDA margin	*12.1%*	*15.0%*	*11.8%*	*10.7%*	*10.8%*
EBIT	52.9	84.9	52.8	40.8	43.6
Net profit	38.3	71.9	37.6	30.3	33.6
DPS	0.0	0.5	0.5	0.5	0.5
P/E	14.2	7.6	14.5	17.9	16.2
P/CE	4.5	3.5	4.2	4.5	4.3
P/BV	0.5	0.4	0.4	0.4	0.4
EV/EBITDA	2.7	2.8	3.1	3.2	3.0
DYield	0.0%	4.7%	4.7%	4.7%	4.7%

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Advertising Outlook Grows Darker

Financial Standing

Agora lowers ad market projections

Agora's Q3 2011 earnings announcement was accompanied by a revised 2011 market outlook. The company cut the projected growth rates for the ad market as a whole (to 2-4% from 3-5%), for newspaper advertising (expected to shrink 9-12% rather than the earlier projected downturn of 7-9%), and for magazine advertising (a 4-6% drop revised downward from 1-3%).

Agora's ad market projections

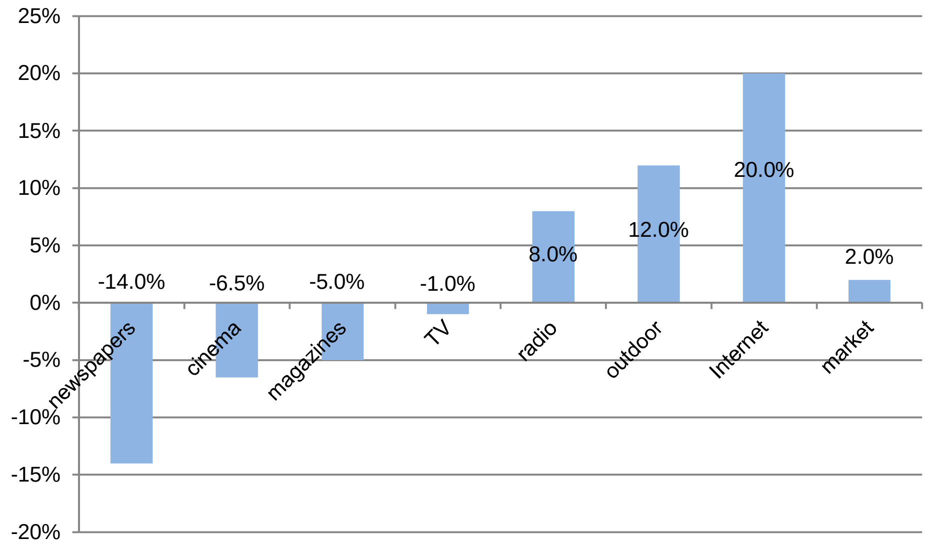
	February 2011	May 2011	August 2011	November 2011
TV	6-8%	3-5%	3-5%	3-5%
Internet	13-15%	13-15%	13-17%	13-17%
Magazines	0-2%	(-3%)-(-1%)	(-3%)-(-1%)	(-6%)-(-4%)
Newspapers	(-5%)-(-3%)	(-9%)-(-7%)	(-9%)-(-7%)	(-12%)-(-9%)
Outdoor	5-6%	2-4%	2-4%	2-4%
Radio	3-5%	3-5%	7-9%	7-9%
Cinema	11-13%	6-8%	6-8%	6-8%
Whole market	6-7%	3-5%	3-5%	2-4%

Source: Agora

Ad market continues to cool

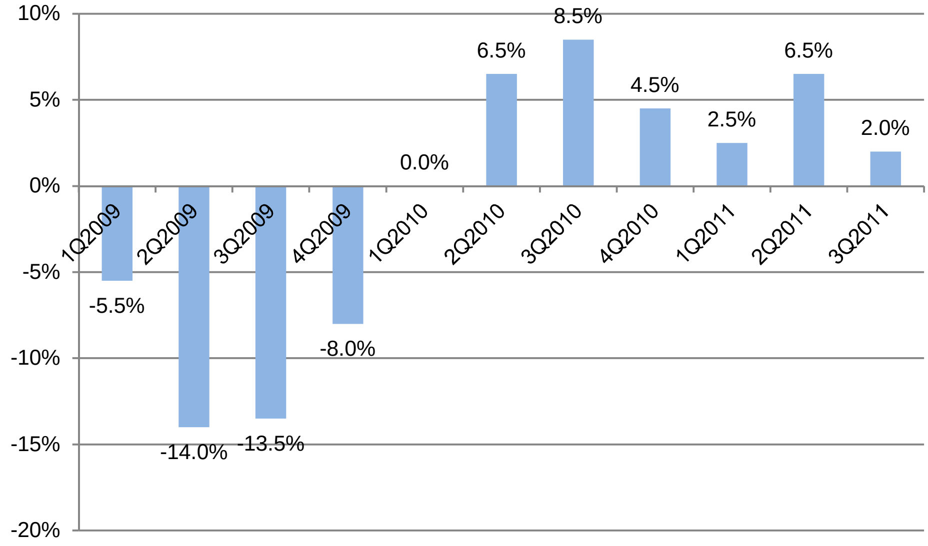
After a slightly better second quarter, the Polish advertising market decelerated again in Q3 2011, with advertising expenses rising just 2.0% (as estimated by Agora) after respective growth rates of 2.7% and 6.5% recorded by Starlink in Q2 and Q1 2011. The slowdown can be partly attributed to a higher Q3 2010 base (when advertisers were still compensating for the April ad ban during the national mourning period that followed a presidential plane crash) which, however, does not explain the full extent of the decline which is expected to have continued into the fourth quarter by ad industry members across the board. The Internet is the medium of choice for advertisers, and online ad sales surged 20% in Q3 2011, driving the Web's market share up 2.5ppts y/y to 17.0%. Growth was also recorded in the third quarter in out-of-home advertising (+12.0% y/y) and radio advertising (+8.0% y/y), and both media also increased their market shares to 9.5% (+1.0pp) and 8.5% (+0.5pp), respectively. Falling advertising revenues were seen in the TV segment which shrunk 1.0% y/y and reduced its market share from 45.0% to 43.5%. A year-on-year decline was also recorded in cinema advertising (-6.5%), magazine advertising (-5.0%), and newspaper advertising (-14.0%, with market share falling from 10.0% to 8.5%).

Advertising market growth in Q3 2011



Source: Agora, Starlink, Kantar Media, IGR

Quarterly data on advertising expenditure



Source: Agora, GUS

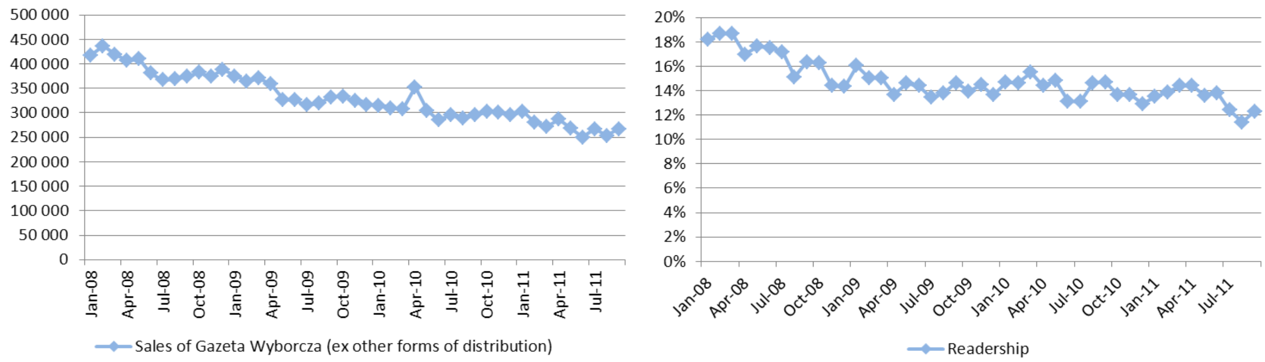
Future Prospects

Sales and readership of *Gazeta Wyborcza*

The third quarter of 2011 witnessed a slowing in the falling sales of Agora's flagship newspaper *Gazeta Wyborcza,* coupled with a dramatic decrease in readership. Average paid circulation was down 8.1% compared to Q3 2010, showing a slight improvement from the 8.8% drop recorded in the first half of the year. At the same time, other distribution continued to grow at a rate of 16.2% compared to 16.8% in H1 2012, improving the overall sales performance.

At the same time, *Gazeta Wyborcza* lost a significant chunk of its readership after a period of relatively good numbers reported amid falling sales. The paper's readership averaged 13.9% in H1 2011 (compared to 14.5% in H1 2010), to drop to just 12.0% in Q3 2011 (vs. 14.1% in Q2 2010). Loss of readership, which can turn advertisers away, may force Agora to step up its own advertising efforts for the broadsheet.

Paid circulation (copy sales) and readership of *Gazeta Wyborcza*



Source: ZKPD

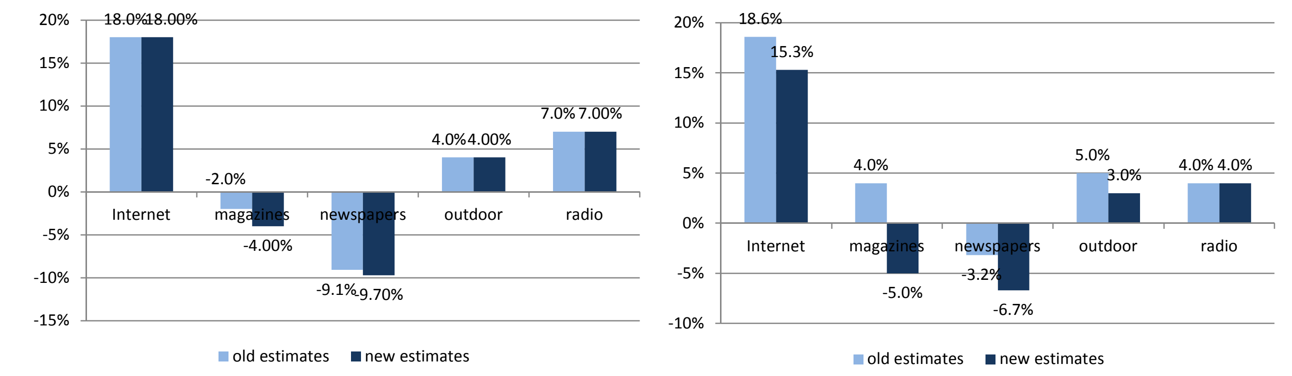
Lowering ad market outlook

In our September 2011 report on Agora, we pointed out the decrease in advertising's contributions to the Polish GDP from 0.61% recorded in 2008 to levels last seen in 2004 (0.5%), as if there had been no upturn in the advertising market in the last four years. By comparison, the German ratio of advertising to GDP is 0.9%. Back in September, we argued that advertising budgets seem more balanced today than they were before the previous economic slowdown, and that they reflect more conservative macroeconomic scenarios, so a replay of 2009 when the market fell by ca. 12% y/y even as GDP continued to grow at a rate of 1.7% was unlikely this time.

We stand by this thesis, except that the advertising trends observed in Q3 2011 indicate that a sharper-than-expected advertising downturn may be looming over the horizon. There has been a clear shift among advertisers from image-building campaigns to media campaigns aimed at boosting short-term sales. A possible damper on ad revenues has also come from the Polish government and its spending cuts which, though theoretically designed to have as little impact on consumers as possible, may have a negative impact on employment (e.g. through raised pension contributions for employers) and hence on consumer spending. Moreover, budget cuts may provide an impulse for households to also cut back on spending.

We are reducing the expected rate of growth in 2012 advertising expenses from 5.0% to 3.0%. Adspend is expected to rebound in 2012 despite slower economic growth and thanks to the EURO 2012 football cup. However, advertisers seem to skeptical about future growth and cautious when projecting future consumer demand, so the actual growth in next year's advertising expenditure may be slower than thought. In our view, the contribution of the EURO 2012 cup will be just enough to offset the expected slowdown in GDP, resulting in a 3% expansion in the ad market (our previous growth forecast was 7%).

Forecast of Agora's 2011 (left) and 2012 (rights) ad revenue growth



Source: BRE Bank Securities

Accordingly, we are lowering our 2012 ad revenue growth projection for Agora from 7% to 2%, with the biggest deterioration expected in the segments of newspapers and magazines which will be hurt by lower advertising expenditure and weakening copy sales that cause advertisers to increasingly choose the Internet as their primary medium.

Our revised expectations with respect to *Gazeta Wyborcza's* newspaper ad revenues assume faster-than-originally projected drops by 11% in 2011 (revised from -10.0%) and 8.0% in 2012 (revised from -4.0%). Moreover, we believe a return to market growth will occur a year later than we originally anticipated, in 2014 (resulting in a 2013 growth estimate reduction from 0% to -4%). We are also lowering expectations with respect to the rate of decline in *Gazeta Wyborcza's* 2012 paid distribution from 6.0% to 9.0%.

For the magazine segment, we cut our ad revenue growth expectations from -2.0% to -4.0% in 2011 and from -4.0% to -5.0% in 2012. Copy sales are also expected to drop at a rate of 9.0% per year (earlier 2011-2012 estimates assumed decreases by 9.0% and 2.0% respectively).

For outdoor, we are leaving our 2011 revenue growth estimate intact at 4%, but we are lowering the 2012 forecast from 5.0% to 3.0%.

The outlook for radio advertising revenues remains unchanged. For online advertising, we cut our 2012 revenue growth estimate from 18.6% to 15.3%.

Valuation

Valuation Summary

	PLN m	Weight	9M Target Price
DCF Analysis	739.7	50%	
Relative Valuation	697.6	50%	
based on			
P/E	329.0	50%	
EV/EBITDA	1 066.3	50%	
Average	**718.7**		**777.4**
Per-share target price			15.3

Valuation assumptions

1. Our earnings forecast horizon extends from FY2011 through FY2020.
2. In the forecast period and beyond, our assumed risk-free rate is 5.9% (yield on 10Y T-bonds).
3. Expected FCF CAGR after the forecast period is 2.0% (revised from an earlier projection of 3.0%).
4. The DCF model is based on net debt as at year-end 2010 plus dividend.

Relative Valuation

We compared the forward EV/EBITDA and P/E multiples of Agora and its Polish and foreign peers as estimated for financial years 2011 through 2013. The forecast years are given 25%, 45%, and 30% weights, respectively.

P/E and EV/EBITDA estimates for media companies

		EV/EBITDA			P/E		
	Price	2011F	2012F	2013F	2011F	2012F	2013F
Promotora de information (Prisa)		8.7	7.6	7.2	7.7	6.5	3.8
Gruppo Editoriale L'Esspresso		4.1	4.0	3.8	8.2	7.9	7.2
Axel Springer AG		6.4	6.3	6.2	10.7	10.6	10.3
Daily Mail		7.0	6.8	6.4	8.6	8.3	7.6
McClatchy Corp		5.1	5.7	-	2.4	3.6	13.4
New York Times Corp		4.4	4.4	4.5	11.4	10.7	11.2
Naspers Ltd		16.9	19.6	16.9	17.1	18.7	15.1
RCS Mediagroup		9.2	7.9	7.2	16.9	10.8	8.2
Arnoldo Mondadori Editore		5.2	5.2	4.8	6.6	6.7	5.7
Maximum		16.9	19.6	16.9	17.1	18.7	15.1
Minimum		4.1	4.0	3.8	2.4	3.6	3.8
Median		**6.4**	**6.3**	**6.3**	**8.6**	**8.3**	**8.2**
Agora	10.7	**3.1**	**3.2**	**3.0**	**14.5**	**17.9**	**16.2**
premium / discount		-54.4%	-51.6%	-54.5%	41.8%	102.9%	95.6%

DCF Model

(PLN m)	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2020+
Revenue	**1 225.5**	**1 220.3**	**1 250.6**	**1 306.1**	**1 361.4**	**1 411.6**	**1 456.2**	**1 498.8**	**1 540.2**	**1 583.3**	
Change	*9.7%*	*-0.4%*	*2.5%*	*4.4%*	*4.2%*	*3.7%*	*3.2%*	*2.9%*	*2.8%*	*2.8%*	
EBITDA	**144.4**	**130.9**	**135.1**	**150.1**	**161.8**	**170.8**	**175.2**	**176.8**	**177.9**	**180.4**	
EBITDA margin	*11.8%*	*10.7%*	*10.8%*	*11.5%*	*11.9%*	*12.1%*	*12.0%*	*11.8%*	*11.6%*	*11.4%*	
D&A expenses	91.7	90.1	91.5	92.9	94.3	95.6	96.9	98.2	99.5	100.9	
EBIT	**52.8**	**40.8**	**43.6**	**57.2**	**67.5**	**75.2**	**78.3**	**78.7**	**78.4**	**79.5**	
EBIT margin	*4.3%*	*3.3%*	*3.5%*	*4.4%*	*5.0%*	*5.3%*	*5.4%*	*5.2%*	*5.1%*	*5.0%*	
Tax on EBIT	10.0	7.7	8.3	10.9	12.8	14.3	14.9	14.9	14.9	15.1	
NOPLAT	**42.8**	**33.0**	**35.3**	**46.3**	**54.7**	**60.9**	**63.4**	**63.7**	**63.5**	**64.4**	
CAPEX	-79.0	-72.6	-74.4	-77.7	-81.0	-84.0	-86.6	-89.2	-91.6	-100.9	
Working capital	5.3	-0.1	-2.3	-3.4	-3.2	-3.1	-1.8	-1.5	-1.6	-1.9	
Other	14.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCF	**75.0**	**50.4**	**50.1**	**58.1**	**64.8**	**69.4**	**71.9**	**71.2**	**69.8**	**62.5**	**63.8**
WACC	*10.9%*	*10.9%*	*10.9%*	*10.9%*	*10.9%*	*10.9%*	*10.9%*	*10.9%*	*10.9%*	*10.9%*	
Discount factor	*100.0%*	*90.2%*	*81.3%*	*73.3%*	*66.1%*	*59.6%*	*53.8%*	*48.5%*	*35.5%*	*39.4%*	
PV FCF	75.0	45.5	40.8	42.6	42.8	41.4	38.6	34.5	282.4	24.6	
WACC	***10.9%***	***10.9%***	***10.9%***	***10.9%***	***10.9%***	***10.9%***	***10.9%***	***10.9%***	***10.9%***	***10.9%***	***10.9%***
Cost of debt	*6.9%*	*6.9%*	*6.9%*	*6.9%*	*6.9%*	*6.9%*	*6.9%*	*6.9%*	*6.9%*	*6.9%*	*6.9%*
Risk-free rate	*5.9%*	*5.9%*	*5.9%*	*5.9%*	*5.9%*	*5.9%*	*5.9%*	*5.9%*	*5.9%*	*5.9%*	*5.9%*
Risk premium	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*
Effective tax rate	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*0.0%*
Net debt / EV	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Cost of equity	*10.9%*	*10.9%*	*10.9%*	*10.9%*	*10.9%*	*10.9%*	*10.9%*	*10.9%*	*10.9%*	*10.9%*	*10.9%*
Risk premium	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

FCF growth after the forecast horizon	*2.0%*
Terminal value (TV)	716.6
Present value of terminal value (PV TV)	282.4
Present value of FCF in the forecast horizon	416.3
Enterprise value (EV)	698.7
Net debt	-56.5
Other non-core assets	0.0
Minority interests	15.5
Equity value	739.7
Number of shares (millions)	50.9
Equity value per share (PLN)	**14.5**
9M cost of equity	8.2%
Target Price	**15.7**
EV/EBITDA ('11) for the target price	4.8
P/E ('11) for the target price	21.3
TV to EV	40%

Sensitivity Analysis

	FCF growth in perpetuity				
	0.0%	**1.0%**	**2.0%**	**3.0%**	**4.0%**
WACC +1.0pp	13.6	13.9	14.4	15.0	15.7
WACC +0.5pp	14.1	14.5	15.0	15.7	16.5
WACC	14.6	15.1	**15.7**	16.5	17.4
WACC -0.5pp	15.2	15.8	16.5	17.4	18.6
WACC -1.0pp	15.9	16.5	17.4	18.4	19.8

Income Statement

(PLN m)	2009	2010	2011F	2012F	2013F	2014F	2015F
Revenue	**1 110.1**	**1 116.7**	**1 225.5**	**1 220.3**	**1 250.6**	**1 306.1**	**1 361.4**
change	*-13.1%*	*0.6%*	*9.7%*	*-0.4%*	*2.5%*	*4.4%*	*4.2%*
Advertising revenues	732.2	715.7	711.5	714.8	739.9	789.8	838.9
Copy sales	193.4	208.9	165.8	151.1	146.1	141.3	137.0
Cinema tickets	0.0	40.1	142.6	144.0	148.4	152.8	157.5
Supplements	79.8	0.0	58.7	60.2	61.7	63.2	64.8
Other sales	104.7	152.0	146.8	150.2	154.6	158.9	163.3
Operating expenses	**1 057.2**	**1 031.8**	**1 172.7**	**1 179.5**	**1 207.0**	**1 248.8**	**1 293.9**
Materials, energy and goods	222.8	203.3	275.1	273.4	275.9	280.6	286.0
Payroll	268.1	283.2	303.9	318.9	327.1	339.1	352.4
Incentive scheme	10.2	10.4	19.1	19.2	19.5	20.1	20.8
D&A expenses	81.2	82.4	91.7	90.1	91.5	92.9	94.3
Representation and advertising	150.1	130.9	132.3	130.9	133.9	139.1	145.2
One-offs	2.3	0.0	14.3	0.0	0.0	0.0	0.0
Other	322.5	321.6	350.0	360.5	373.2	391.7	395.3
EBIT	**52.9**	**84.9**	**52.8**	**40.8**	**43.6**	**57.2**	**67.5**
Change	*18.6%*	*60.5%*	*-37.8%*	*-22.8%*	*7.0%*	*31.1%*	*17.9%*
EBIT margin	*4.8%*	*7.6%*	*4.3%*	*3.3%*	*3.5%*	*4.4%*	*5.0%*
Financing income/expenses	2.5	4.0	-4.9	-3.2	-1.7	0.1	2.4
Equity in profits/losses of associates	-1.0	-1.0	0.2	1.3	1.4	1.5	1.6
Pre-tax income	**54.4**	**87.9**	**48.1**	**38.9**	**43.3**	**58.8**	**71.6**
Tax	-17.1	-16.0	-9.1	-7.4	-8.2	-11.2	-13.6
Minority interests	-1.0	0.0	1.4	1.2	1.5	1.7	1.8
Net income	**38.3**	**71.9**	**37.6**	**30.3**	**33.6**	**45.9**	**56.1**
Change	*63.6%*	*87.8%*	*-47.8%*	*-19.3%*	*10.8%*	*36.8%*	*22.2%*
margin	*3.5%*	*6.4%*	*3.1%*	*2.5%*	*2.7%*	*3.5%*	*4.1%*
D&A expenses	81.2	82.4	91.7	90.1	91.5	92.9	94.3
EBITDA	**134.1**	**167.3**	**144.4**	**130.9**	**135.1**	**150.1**	**161.8**
Change	*4.4%*	*24.8%*	*-13.7%*	*-9.4%*	*3.2%*	*11.1%*	*7.8%*
EBITDA margin	*12.1%*	*15.0%*	*11.8%*	*10.7%*	*10.8%*	*11.5%*	*11.9%*
Shares at year-end (millions)	50.9	50.9	50.9	50.9	50.9	50.9	50.9
EPS	0.8	1.4	0.7	0.6	0.7	0.9	1.1
CEPS	2.3	3.0	2.5	2.4	2.5	2.7	3.0
ROAE	*3.2%*	*5.9%*	*3.0%*	*2.4%*	*2.7%*	*3.6%*	*4.3%*
ROAA	*2.4%*	*4.3%*	*2.1%*	*1.6%*	*1.8%*	*2.4%*	*2.9%*

Revenue and EBITDA forecast by operating segment

(PLN m)	2009	2010	2011F	2012F	2013F	2014F	2015F
Revenue	**1 110.1**	**1 116.7**	**1 225.5**	**1 220.3**	**1 250.6**	**1 306.1**	**1 361.4**
Newspapers	696.9	644.0	593.7	565.2	557.0	564.6	574.5
Magazines	92.3	83.6	78.2	73.0	73.2	73.8	74.4
Outdoor	168.0	164.1	170.7	175.8	184.5	199.1	212.9
Cinema	0.0	56.0	197.0	203.3	209.7	216.0	222.4
Internet	84.9	101.8	119.0	136.3	156.6	179.9	202.5
Radio	75.1	77.6	83.3	86.6	90.0	93.6	96.4
Eliminations	-7.1	-10.4	-16.4	-20.0	-20.3	-20.9	-21.6
EBITDA	**134.1**	**167.3**	**144.5**	**130.9**	**135.1**	**150.1**	**161.8**
Newspapers	167.1	173.1	117.9	85.2	76.3	74.3	72.0
Magazines	17.6	16.2	12.9	9.6	8.9	8.5	7.9
Outdoor	13.2	26.5	31.5	33.6	36.3	40.1	43.8
Cinema	0.0	6.0	34.0	32.5	34.6	36.6	37.9
Internet	-3.4	11.4	15.5	24.4	34.9	48.0	59.4
Radio	4.1	6.4	8.9	9.3	9.8	10.3	10.5
Eliminations	-64.5	-72.3	-76.2	-63.8	-65.8	-67.7	-69.8

Balance Sheet

(PLN m)	2009	2010	2011F	2012F	2013F	2014F	2015F
ASSETS	**1 538.2**	**1 805.5**	**1 851.6**	**1 857.1**	**1 872.3**	**1 904.8**	**1 947.9**
Fixed assets	**1 023.5**	**1 203.4**	**1 190.8**	**1 173.3**	**1 156.2**	**1 141.0**	**1 127.7**
Property, plant and equipment	613.1	763.0	760.5	757.0	753.6	750.6	747.9
Intangible assets	394.2	427.3	417.2	403.2	389.6	377.4	366.8
Long-term financial assets	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Investments in associates	0.6	0.2	0.2	0.2	0.2	0.2	0.2
Long-term receivables, prepayments	8.5	9.6	9.6	9.6	9.6	9.6	9.6
Deferred tax assets	6.9	3.0	3.0	3.0	3.0	3.0	3.0
Current assets	**514.7**	**602.1**	**660.8**	**683.9**	**716.1**	**763.7**	**820.2**
Inventories	16.2	22.6	26.3	27.1	28.4	30.0	31.8
Trade debtors, prepayments	215.7	239.4	262.7	261.6	268.1	279.9	291.8
Taxes receivable	4.1	3.0	3.3	3.2	3.3	3.5	3.6
Short-term financial assets	154.4	154.8	154.8	154.8	154.8	154.8	154.8
Cash	124.2	182.4	213.8	237.2	261.6	295.5	338.1

(PLN m)	2009	2010	2011F	2012F	2013F	2014F	2015F
EQUITY AND LIABILITIES	**1 538.2**	**1 805.5**	**1 851.6**	**1 857.1**	**1 872.3**	**1 904.8**	**1 947.9**
Equity	**1 196.1**	**1 236.6**	**1 250.0**	**1 256.0**	**1 265.6**	**1 287.8**	**1 320.3**
Share capital	50.9	50.9	50.9	50.9	50.9	50.9	50.9
Reserves	146.7	147.1	147.1	147.1	147.1	147.1	147.1
Retained earnings	998.6	1 023.1	1 035.1	1 040.0	1 048.1	1 068.6	1 099.2
Minority interest	-0.2	15.5	16.9	18.0	19.5	21.2	23.1
Long-term liabilities	**99.9**	**273.5**	**277.8**	**276.9**	**277.6**	**279.3**	**281.0**
Loans	52.4	188.8	188.8	188.8	188.8	188.8	188.8
Other financial liabilities	0.0	30.1	30.1	30.1	30.1	30.1	30.1
Provisions	47.1	51.2	55.6	54.7	55.3	57.1	58.7
Long-term accruals	0.4	3.4	3.4	3.4	3.4	3.4	3.4
Current liabilities	**242.2**	**295.4**	**323.7**	**324.2**	**329.1**	**337.6**	**346.6**
Loans	42.4	66.4	66.4	66.4	66.4	66.4	66.4
Trade creditors	146.6	164.4	186.8	187.9	191.6	197.6	204.0
Other liabilities	0.1	1.0	1.0	1.0	1.0	1.0	1.0
Provisions	12.6	10.1	11.1	11.1	11.4	11.9	12.4
Prepayments	40.5	53.5	58.4	57.8	58.8	60.8	62.8

Debt	94.8	255.2	255.2	255.2	255.2	255.2	255.2
Net debt	-183.8	-82.0	-113.4	-136.8	-161.2	-195.1	-237.7
(Net debt / Equity)	*-15.4%*	*-6.6%*	*-9.1%*	*-10.9%*	*-12.7%*	*-15.1%*	*-18.0%*
(Net debt / EBITDA)	-1.4	-0.5	-0.8	-1.0	-1.2	-1.3	-1.5
BVPS	23.5	24.3	24.5	24.7	24.8	25.3	25.9

Cash Flows

(PLN m)	2009	2010	2011F	2012F	2013F	2014F	2015F
Operating cash flows	**139.9**	**166.9**	**140.8**	**124.7**	**126.0**	**137.0**	**146.6**
Pre-tax income	54.4	87.9	48.1	38.9	43.3	58.8	71.6
Interest	-2.5	-4.0	4.9	3.2	1.7	-0.1	-2.4
D&A expenses	81.2	82.4	91.7	90.1	91.5	92.9	94.3
Working capital	4.1	7.4	5.3	-0.1	-2.3	-3.4	-3.2
Tax	-10.6	-16.0	-9.1	-7.4	-8.2	-11.2	-13.6
Other	13.3	9.1	0.0	0.0	0.0	0.0	0.0
Cash flows from investing activities	**-200.1**	**-240.9**	**-57.1**	**-49.0**	**-49.3**	**-50.8**	**-51.7**
CAPEX	-52.6	-247.2	-79.0	-72.6	-74.4	-77.7	-81.0
Equity investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	-147.5	6.3	21.9	23.6	25.1	26.9	29.2
Cash flows from financing activities	**-79.4**	**132.2**	**-52.3**	**-52.3**	**-52.3**	**-52.3**	**-52.3**
Debt	-60.4	160.4	0.0	0.0	0.0	0.0	0.0
Stock issue	-19.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend/buy-back	0.0	-25.5	-25.5	-25.5	-25.5	-25.5	-25.5
Interest	0.0	0.0	-26.8	-26.8	-26.8	-26.8	-26.8
Other	0.0	-2.7	0.0	0.0	0.0	0.0	0.0
Change in cash	**-139.6**	**58.2**	**31.4**	**23.4**	**24.4**	**33.9**	**42.6**
Cash at period-end	124.2	182.4	213.8	237.2	261.6	295.5	338.1
DPS (PLN)	0.0	0.5	0.5	0.5	0.5	0.5	0.5
FCF	66.7	0.9	-31.0	50.4	50.1	58.1	64.8
(CAPEX / Sales)	*4.9%*	*5.4%*	*6.4%*	*5.9%*	*5.9%*	*5.9%*	*5.9%*

Market multiples

	2009	2010	2011F	2012F	2013F	2014F	2015F
P/E	14.2	7.6	14.5	17.9	16.2	11.8	9.7
P/CE	4.5	3.5	4.2	4.5	4.3	3.9	3.6
P/BV	0.5	0.4	0.4	0.4	0.4	0.4	0.4
P/S	0.5	0.5	0.4	0.4	0.4	0.4	0.4
FCF/EV	*18.6%*	*0.2%*	*-6.9%*	*11.9%*	*12.5%*	*15.7%*	*19.7%*
EV/EBITDA	2.7	2.8	3.1	3.2	3.0	2.5	2.0
EV/EBIT	6.8	5.6	8.5	10.4	9.2	6.5	4.9
EV/S	0.3	0.4	0.4	0.3	0.3	0.3	0.2
DYield	*0.0%*	*4.7%*	*4.7%*	*4.7%*	*4.7%*	*4.7%*	*4.7%*
Price (PLN)	**10.66**						
Shares at year-end (millions)	50.9	50.9	50.9	50.9	50.9	50.9	50.9
MC (PLN m)	543.0	543.0	543.0	543.0	543.0	543.0	543.0
Equity att. to minority shareholders (PLN m)	-0.2	15.5	16.9	18.0	19.5	21.2	23.1
EV (PLN m)	358.9	476.5	446.5	424.3	401.4	369.1	328.3

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List of abbreviations and ratios contained in the report:
EV *– net debt + market value*
EBIT *– Earnings Before Interest and Taxes*
EBITDA *– EBIT + Depreciation and Amortisation*
P/CE *– price to earnings with amortisation*
MC/S *– market capitalisation to sales*
EBIT/EV *– operating profit to economic value*
P/E *– (Price/Earnings) – price divided by annual net profit per share*
ROE *– (Return on Equity) – annual net profit divided by average equity*
P/BV *– (Price/Book Value) – price divided by book value per share*
Net debt *– credits + debt papers + interest bearing loans – cash and cash equivalents*
EBITDA margin *– EBITDA/Sales*

Recommendations of BRE Bank Securities
A recommendation is valid for a period of 6-9 months, unless a subsequent recommendation is issued within this period. Expected returns from individual recommendations are as follows:
BUY – we expect that the rate of return from an investment will be at least 15%
ACCUMULATE – we expect that the rate of return from an investment will range from 5% to 15%
HOLD – we expect that the rate of return from an investment will range from –5% to +5%
REDUCE – we expect that the rate of return from an investment will range from -5% to -15%
SELL – we expect that an investment will bear a loss greater than 15%
Recommendations are updated at least once every nine months.

Strong and weak points of valuation methods used in recommendations:
DCF – acknowledged as the most methodologically correct method of valuation; it is based in discounting financial flows generated by a company; its weak point is the significant susceptibility to a change of forecast assumptions in the model.
Comparative – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.

Previous ratings issued for Agora

Rating	Buy	Buy
Date issued	2011-06-03	2011-09-14
Price on rating day	20.29	13.48
WIG on rating day	49824.93	37735.42