BRE Bank Securities

RESEARCH REPORT
Agora S.A.

Media

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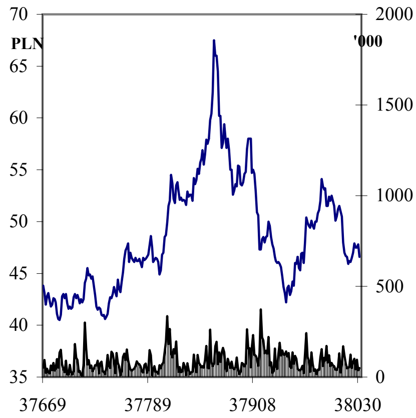
Looks Like Another Difficult Year

For Agora, 2004 appears to be a year in which Gazeta Wyborcza will compete with Fakt to maintain market position as the leading national daily newspaper as well as with other titles to maintain its dominant position on the Warsaw market. According to initial estimates of the management board, the advertising market in the segment of daily newspapers will grow 1-2% this year, which is an amount decidedly lower than could be expected, considering prospective economic growth (+4.5%). With such market growth, considering growing competition, Gazeta's advertising revenues can be expected to fall several percent (about -6%). In such an environment, the management board has announced mass layoffs (12% of the Group's workforce) as well as editorial changes in Gazeta in order to protect the company's long-term value. In short, 2004 appears to be a period of increased advertising and promotional costs for Gazeta Wyborcza as well as costs of restructuring with (in the best case) revenues on the level noted in 2003. Moreover, the company is feeling the increased costs of paper prices connected with zloty weakening relative to the euro.

An improvement can be expected in 2004 in the case of AMS, Magazines and the radio segment. According to the management board, these segments will benefit to a greater degree from the improvement of the situation on the advertising market (estimated growth, respectively: +6%, +6% and +8%). The management board's plan to achieve a positive EBITDA result by Agora's radio stations, which must compete with radio stations dominant on the national market, appears to be a particularly ambitious goal. A new magazine for women, which Agora plans to introduce on the market in April, will have a negative impact on Agora's consolidated results (approximately PLN -5 mn). The new title is expected to break even on the EBITDA level in three years.

Considering the above-mentioned factors, we are lowering our forecasts of company results for 2004 and subsequent years. In addition, we are lowering the target price for a company share to PLN 42, while maintaining our reduce recommendation.



Recommendation	REDUCE
Price	**46,50**
Target price	**42,00**

Basic Data	
No. of shares ('000)	56 758
Free float	64%
Market cap (PLN mn)	2 639

Shareholder Structure	
Agora-Holding Sp. z o.o.	25,7%
Cox Poland Investments, Inc.	10,3%
Deutsche Bank Trust Co. Amer.	9,3%
Others	54,7%

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	Sales (PLN mn)	EBIT (PLN mn)	Net profit (PLN mn)	Cash earn. (PLN mn)	Price (PLN)	EPS (PLN)	P/E	BVPS (PLN)	P/BV	CEPS (PLN)	P/CE	EV/EBDIT
2001	777,1	118,9	180,1	266,1	46,5	3,2	14,7	18	2,6	4,7	9,9	12,0
2002	785,3	74,3	53,1	169,0	46,5	0,9	49,7	19	2,5	3,0	15,6	14,3
2003	853,5	17,3	2,1	138,2	46,5	0,0	1 246,1	19	2,5	2,4	19,1	17,5
2004F	882,7	19,7	1,4	125,4	46,5	0,0	1 927,5	19	2,5	2,2	21,0	16,3
2005F	963,0	57,2	38,7	158,9	46,5	0,7	68,3	20	2,4	2,8	16,6	12,7

NOTE: F - BRE Bank Securities forecast

Profit and Loss Account

(PLN mn)	1998	1999	2000	2001	2002F	2003F	2004F	2005F
Revenues	**549.9**	**689.7**	**810.7**	**777.1**	**785.3**	**853.5**	**882.7**	**963.0**
Costs	279.1	330.3	390.1	432.0	461.1	561.6	585.0	617.2
Gross profit on sales	270.8	359.4	420.7	345.1	324.1	291.9	297.6	345.7
Selling costs	39.7	54.1	79.4	92.2	120.0	157.9	162.6	165.9
Administrative costs	66.4	98.0	106.4	102.6	123.5	113.1	115.4	117.7
Net profit on sales	164.7	207.3	234.9	150.3	80.7	20.9	19.7	62.2
Result on other operating activity	-41.5	-13.5	-25.4	-31.4	-6.3	-3.6	0.0	-5.0
EBIT	**123.2**	**193.8**	**209.6**	**118.9**	**74.3**	**17.3**	**19.7**	**57.2**
EBIT margin	*22.4%*	*28.1%*	*25.8%*	*15.3%*	*9.5%*	*2.0%*	*2.2%*	*5.9%*
Amortisation	46.1	42.0	48.4	80.8	103.1	123.2	124.1	120.2
EBITDA	**169.3**	**235.8**	**258.0**	**199.6**	**177.4**	**140.5**	**143.7**	**177.4**
EBITDA margin	*30.8%*	*34.2%*	*31.8%*	*25.7%*	*22.6%*	*16.5%*	*16.3%*	*18.4%*
Result on financial activity	-24.0	1.0	19.8	92.6	9.3	-9.8	-1.9	6.7
Result on extraordinary events	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Goodwill write-offs from consolidation	28.1	0.0	0.0	0.0	-5.2	-12.9	-12.9	-12.9
Gross profit	71.1	194.8	229.4	211.6	78.4	-5.0	4.9	51.0
Income tax	42.4	62.2	55.3	31.5	22.1	-9.6	0.9	9.7
Share in profits/ losses	-36.1	0.0	0.0	0.0	2.3	1.7	1.8	1.8
Minority shareholders	0.0	0.0	0.0	0.0	0.9	0.8	0.8	0.8
Net profit	**-7.4**	**132.6**	**174.1**	**180.1**	**53.1**	**2.1**	**1.4**	**38.7**

Balance Sheet

(PLN mn)	1998	1999	2000	2001	2002F	2003F	2004F	2005F
ASSETS	**416.7**	**839.7**	**1 047.4**	**1 157.9**	**1 431.9**	**1 362.3**	**1 284.2**	**1 276.3**
Fixed assets	**312.4**	**491.4**	**729.7**	**846.2**	**1 207.3**	**1 119.0**	**1 007.1**	**904.1**
Intangible fixed assets	25.4	22.2	19.8	32.1	111.0	104.7	102.6	100.6
Goodwill of subordinated entities	0.0	0.0	0.0	0.0	178.2	176.9	164.0	151.2
Tangible fixed assets	252.6	429.8	654.6	752.5	889.0	805.6	708.7	620.6
Long-term accounts receivable	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Long-term investments	31.5	38.3	53.9	60.2	27.8	30.6	30.6	30.6
Long-term cost accruals	2.9	1.0	1.3	1.4	1.3	0.9	1.0	1.0
Current assets	**104.3**	**348.4**	**317.8**	**311.8**	**224.6**	**243.3**	**277.2**	**372.3**
Inventories	16.9	18.5	25.7	15.7	14.7	15.2	15.5	15.8
Short-term accounts receivable	68.9	84.3	102.7	106.6	147.0	123.1	125.2	130.9
Short-term investments	18.5	245.6	189.4	189.6	58.5	98.6	129.8	218.7
Short-term cost accruals	0.0	0.0	0.0	0.0	4.4	6.5	6.7	6.9

(PLN mn)	1998	1999	2000	2001	2002F	2003F	2004F	2005F
LIABILITIES	**416.7**	**839.7**	**1 047.4**	**1 157.9**	**1 431.9**	**1 362.3**	**1 284.2**	**1 276.3**
Shareholders' equity	**166.1**	**665.0**	**839.2**	**1 019.3**	**1 063.7**	**1 065.2**	**1 076.7**	**1 115.4**
Shareholders' capital	44.1	56.8	56.8	56.8	56.8	56.8	56.8	56.8
Reserve capital	128.4	474.8	607.7	781.8	963.6	1 016.0	1 018.1	1 019.5
Capital from revaluation	0.9	0.8	0.6	0.6	0.6	0.5	0.5	0.5
Profit/ loss from previous years	0.0	0.0	0.0	0.0	-10.3	-10.1	0.0	0.0
Net profit	-7.4	132.6	174.1	180.1	53.1	2.1	1.4	38.7
Capital of minorities	**0.0**	**0.0**	**0.0**	**0.0**	**1.5**	**1.3**	**1.3**	**1.3**
Negative goodwill	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Liabilities and reserves	**250.7**	**174.8**	**208.3**	**138.7**	**366.6**	**295.8**	**206.3**	**159.7**
Reserves	6.9	4.3	5.1	32.1	55.0	38.5	38.9	40.1
Short-term liabilities	63.1	79.1	91.2	0.0	140.1	139.6	50.0	0.0
Long-term liabilities	169.3	78.5	93.8	89.1	137.5	82.3	82.3	84.6
Interperiod settlements	11.3	12.8	18.3	17.5	33.9	35.4	35.0	35.0

	1998	1999	2000	2001	2002F	2003F	2004F	2005F
P/E		19.9	15.2	14.7	49.7	1 246.1	1 927.5	68.3
P/BV		4.0	3.1	2.6	2.5	2.5	2.5	2.4
P/CE		15.1	11.9	9.9	15.6	19.1	19.1	15.4
MC/S		3.8	3.3	3.4	3.4	3.1	3.0	2.7
EV/EBITDA		10.5	9.8	12.0	14.3	17.5	16.3	12.7
EV/EBIT		12.8	12.1	20.6	36.6	154.6	130.1	42.3
EV/S		3.6	3.1	3.2	3.5	3.1	2.9	2.5

	1998	1999	2000	2001	2002F	2003F	2004F	2005F
Cash flow from operating activity		190.0	225.9	286.0	210.3	101.2	158.7	181.8
CAPEX and capital investments		222.9	286.4	202.5	480.9	61.1	37.9	42.9
Debt		-101.1	4.3	-83.4	139.5	0.1	-89.6	-50.0
Share issue		361.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in cash		227.1	-56.2	0.1	-131.1	40.1	31.2	88.9

Previous recommendation issued for Agora S.A.

Recommendation	Reduce
Date issued	2003-08-08
Price on day of recommendation	53.60
WIG on day of recommendation	18372.55

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List of abbreviations and ratios contained in the report:
EV *– net debt + market value (EV – economic value)*
EBIT *– Earnings Before Interest and Taxes*
EBITDA *– EBIT + Depreciation and Amortisation*
PBA *– Profit on Banking Activity*
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 3-6 months, unless a subsequent recommendation is issued within this period.
BUY – we expect that the rate of return from an investment in a company's shares will be at least 15% higher than the WIG
ACCUMULATE – we expect that the rate of return from an investment in a company's shares will be 5%-15% higher than the WIG
HOLD – we expect that the rate of return from an investment in a company's shares will be within +/-5% in relation to the WIG
REDUCE – we expect that the rate of return from an investment in a company's shares will be 5%-15% lower than the WIG
SELL – we expect that the rate of return from an investment in a company's shares will be at least 15% lower in relation to the WIG

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