27 May 2010

Update

BRE Bank Securities

Media
Poland

Agora

AGOD.WA; AGO.PW

Hold

(Reiterated)

Current price	**PLN 24.76**
Target price	**PLN 25.20**
Market cap	PLN 1261m
Free float	PLN 685m
Average daily trading (3M)	PLN 5.04m

Shareholder structure

Agora-Holding Sp. z o.o.	12.85%
BZ WBK AIB AM	32.81%
Others	54.34%

Sector Outlook

Advertising is a late-cycle industry dependent on GDP growth and investments. Advertisers 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.

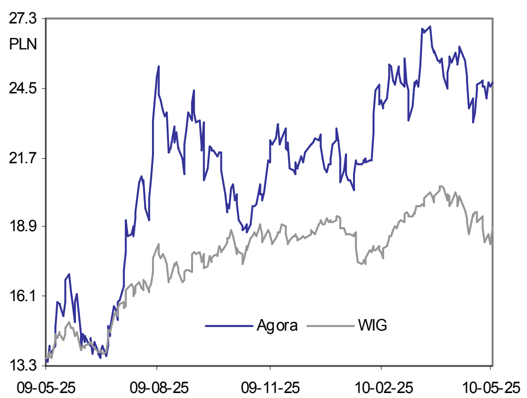
Company Profile

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

Important Dates

12.08 - Q2 2010 report
20.08 - H1 2010 report

Agora vs. WIG



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Advertising Upturn Continues

Q1'10, with a reduction in the rate of advertising revenue contraction and with expenses kept in check, has confirmed the positive trends observed at Agora in 2009. We expect that Q2'10 will also show that the situation in the market is improving, notwithstanding the negative impact of the period of national mourning. Agora is trading at an 82.3% premium to foreign peers on FY10 P/E (due to high D&A charges) and a 5% discount on EV/EBITDA. These days, the Company is finalizing the purchase of a stake in the cinema operator Helios. When this process is over, there will still be enough cash for further value-creating takeovers. Given the value created by the Helios takeover, as well as a revision in our expectations for 2011, we are raising our target price to PLN 25.2 per share and we reiterate our hold rating.

Good First Quarter

Agora reported good results for Q1'10. Not only was it able to once again reduce the rate at which its advertising revenue declined, but it also managed to achieve further considerable cost cuts, mostly as far as the costs of materials and energy and representation and advertising are concerned (-10.2m y/y and -12.3m y/y, respectively). Due to the improved situation in advertising and the introduction of new, more realistic targets for the sales force, the rate of reduction of salary costs slowed down (-PLN 3.5m y/y). All in all, the EBIT exceeded market expectations of PLN 13.0m, reaching PLN 16.7m. Following changes in the structure of the Group, a portion of previously paid tax was reversed, giving rise to a PLN 3.0m negative tax charge in Q1'10, which brought the bottom line to the impressive figure of PLN 21.7m.

Purchase of Helios

The purchase of an 84% stake in the cinema operator Helios was a long-awaited move. We approve of the transaction in terms of operations as well as finances. The purchase will help Agora diversify its revenues and make itself more independent of the advertising market. At the same time, the business is close enough to Agora's core operations to assuage concerns as to the Company's ability to manage it, all the more so that the current Management of Helios is there to stay (also as minority shareholders). Following the purchase of Trader.com, many investors worried that Agora's next acquisition was going to be costly and unprofitable. This is not so: the agreed price entails considerable discounts to peers.

(PLN m)	2008	2009	2010F	2011F	2012F
Revenue	1 277.7	1 110.1	1 087.8	1 134.0	1 214.3
EBITDA	128.4	134.1	149.8	148.9	164.3
EBITDA margin	*10.0%*	*12.1%*	*13.8%*	*13.1%*	*13.5%*
EBIT	44.6	52.9	65.4	64.2	79.3
Net profit	23.4	38.3	59.5	61.9	77.9
DPS	0.0	0.4	0.6	0.6	0.8
P/E	58.1	32.9	21.2	20.4	16.2
P/CE	12.7	10.6	8.8	8.6	7.7
P/BV	1.2	1.1	1.0	1.0	1.0
EV/EBITDA	9.8	8.0	6.8	6.5	5.5
DYield	0.0%	1.5%	2.4%	2.5%	3.1%

Advertising Revival

Financial Standing

First-Quarter Results

Agora's earnings in Q1'10 were slightly ahead of our expectations at the operating level, and much better at the bottom line due to the recognition of negative tax in the amount of PLN 3.0m vs. +PLN 2.9m expected on the basis of a 19% effective tax rate.
Revenue fell less than expected (to PLN 249.1m vs. PLN 244.4m), inter alia due to the lower-than expected decline in advertising revenue (to PLN 159.3m vs. PLN 156.9m expected by us). The outdoor segment deserves a mention here, as its revenue declined by a mere 8.7%, which entails a considerable improvement on the preceding quarter (-15.0%). Our forecast in this case was -11.1%. The decline in advertising revenues in the newspaper segment was also less steep than before at 14.5%, which we believe clearly indicates the industry is witnessing a revival; this is a good harbinger for the future.
Revenue from book collections declined more than we expected (PLN 14.1m vs. PLN 22.9m a year ago and PLN 17.0m forecasted).

Forecasted vs. reported Q1 2010 results

(PLN m)	Q1 2010	Q1 2009	Change	Q1 2010F	Difference	Consensus estimates	Difference	2010F	2009	Change
Revenue	248.1	274.4	-9.6%	244.4	1.5%	244.0	1.7%	1112.4	1110.1	0.2%
EBITDA	36.5	25.8	41.5%	34.9	4.6%	33.0	10.6%	149.7	134.1	11.6%
margin	*14.7%*	*9.4%*	-	*14.3%*	-	*13.5%*	-	*13.5%*	*12.1%*	-
EBIT	16.7	5.7	193.0%	14.4	16.0%	13.0	28.5%	65.3	52.9	23.5%
Pre-tax income	18.8	6.3	198.4%	15.0	25.3%	-	-	73.6	54.4	35.2%
Net income	21.7	1.1	1872.7%	12.2	78.6%	12.0	80.8%	59.6	38.3	55.6%

Source: Agora, F - forecasts by BRE Bank Securities, Consensus Estimates by PAP

As far as costs are concerned, we were positively surprised by the big drop in the costs of materials and utilities (-18.4% y/y), which is a consequence of lower copy sales, decreased book collection sales and the stronger zloty. The Company once again managed to achieve a big reduction in representation and advertising expenses (by 32.2% y/y, to PLN 25.9m vs. PLN 28.5m forecasted). Payroll expenses in turn provided a negative surprise, declining by a mere 4.9% y/y, despite the fact that Q1'10 was the first period that should show the full impact of downsizing. The lower-than-expected decline in salaries was, in our opinion, a consequence of new sales targets, which some of the salespeople were able to beat, thereby securing higher remuneration for themselves.
As a result of all these developments, operating income figured to PLN 16.7m, vs. PLN 14.4m forecasted and PLN 13.0m consensus.
Agora recorded higher-than-expected finance gains of PLN 2.4m following investments in low-risk securities. Due to changes in the internal structure of the Group (sale of shares in Inforadio to Grupa Radiowa Agory), Agora was able to recognize a negative tax of PLN 3.0m, which brought the bottom line to the staggering PLN 21.7m vs. PLN 12.2m we expected.
As far as individual segments are concerned, online advertising stands out, as it not only recorded high revenue growth, but also, for the first time since Q2 2008, a positive EBITDA, and its EBIT loss was just PLN 0.1m.
We are pleased by the performance of the newspaper segment, which, despite the considerable reduction in revenue brought about by declining advertising revenue, as well as the declining copy sales and book collection sales, was able to post an excellent EBITDA profit of PLN 45.7m thanks to a considerable reduction in costs (in the past few years, the segment saw a higher EBITDA only twice, in Q1 2008 and Q4 2009).
Despite the considerable reduction in the rate of contraction of advertising revenue, the outdoor segment had a weaker performance, posting a PLN 0.5m EBIT loss.

Q1 2010 results by business segment

	Q1 2010			Q1 2009		
	Revenue	EBITDA	Margin	Revenue	EBITDA	Margin
Newspapers	156.3	45.7	29.2%	156.3	39.1	25.0%
Websites	21.2	1.7	8.0%	19.5	-0.7	-3.6%
Outdoor	35.0	0.6	1.7%	38.5	2.9	7.5%
Magazines	20.5	3.7	18.0%	23.4	2.9	12.4%
Radio	16.0	1.7	10.6%	18.6	1.4	7.5%

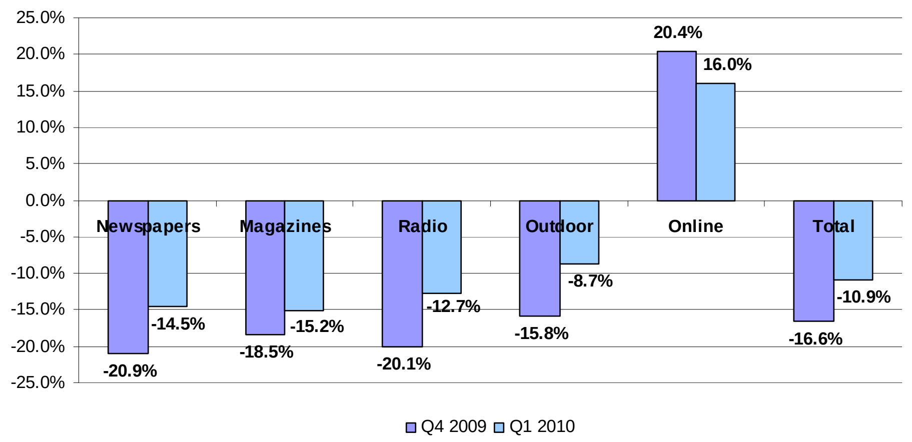
Source: Agora

Future Outlook

Palpable Revival in Advertising

In the first quarter, Agora's y/y advertising revenue growth rates improved in nearly all the segments, with the exception of online advertising, which, however, has been the only segment to sustain growth throughout the crisis. We expect to see similar improvements in the second quarter, despite the negative impact of the period of national mourning on some of the segments. We expect it affected the outdoor segment the least, with most campaigns continuing. Newspapers and magazines felt its impact more, but in their case advertising budgets can be fairly easily shifted onto different periods (by adding more pages in May and June editions). In online advertising, a lot will hinge on the advertisers' flexibility as regards the placement of banners (e.g., it may not be possible to squeeze all the delayed demand for advertising space on the home page of gazeta.pl). Most likely, radio will face the toughest problems, due to legal caps on the proportion of airtime that can go to advertising and the segment's relatively weak position.

Y/Y growth of Agora's advertising revenues in Q1 2010 and Q4 2010



Source: Agora

2011 Still Clouded by Uncertainty

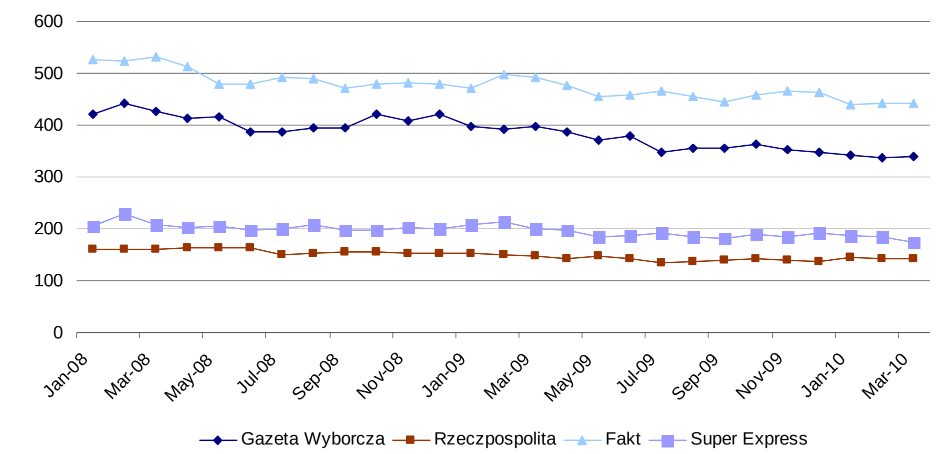
We believe that the current developments in the advertising markets allow us to forecast 3% growth for the market. The situation in 2011, however, remains a big risk factor. Adopting a cautious stance, we have decided to lower our expectations as regards the rebound in Agora's advertising revenues from 8.8% to 5.9%.

Weak Sales of *Gazeta Wyborcza*

In December, the sales of Gazeta Wyborcza broke down, and this trend has persisted into Q1'10, with newsstand sales declining by 17.2% and total sales excluding "other forms of distribution" at 16.0%. In the same period, newsstand sales of the main broadband competitor *Rzeczpospolita* kept increasing at 10.7%, with its total sales declining at 8.0%. The data for *Dziennik Gazeta Prawna* are not fully comparable yet due to the merger that took place last September. The fact that the decline in the sales of *Gazeta Wyborcza* accelerated is even more surprising if we note that it took place when the base of comparison already contained one cover price hike. *Gazeta's* relative weakness vs. *Rzeczpospolita* can be only partially attributed to the latter's weakness a year ago (-25.5% y/y for newsstand sales for Q1'09/Q1'08 vs. -13.1% for *Gazeta*). We believe that in the second quarter the deceleration in sales may slow down, because the second hike in cover price will enter the base of comparison and because of the presidential campaign

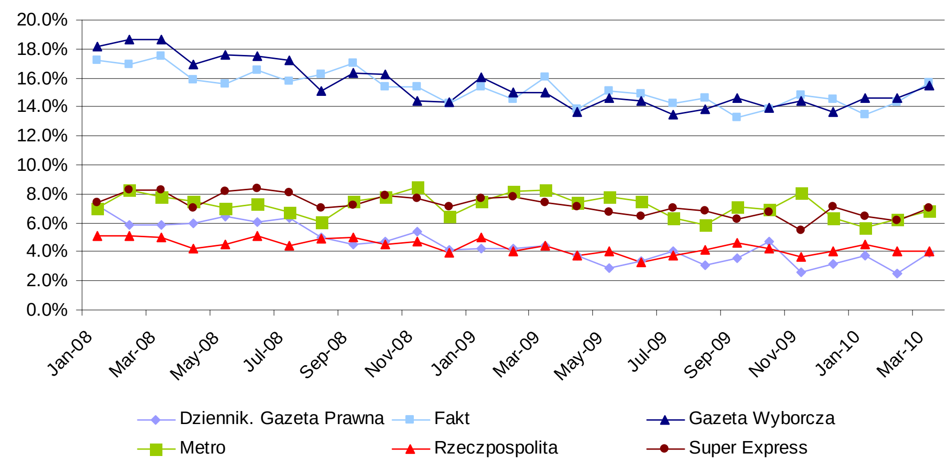
and the soccer World Cup, which starts in June. Due to the weak first quarter, we are reducing our forecast for average daily paid circulation of *Gazeta Wyborcza* in 2010 to 320,000 copies.
Let us point out, however, that despite the reduction in sales, *Gazeta's* readership figures, which are of core importance to advertisers, have remained stable. The decline in copy sales should therefore have little impact on the allocation of advertising budgets.

Average monthly sales of national dailies



Source: ABC Poland

Readership of national dailies



Source: ABC Poland

Investment in Helios

Helios is Poland's third-biggest movie theater operator, with 26 cinemas located mostly in southern and western Poland. Altogether, it operates 140 auditoria sitting 31,200 people. Most of the revenue comes from ticket sales (ca. 74% in 2009). Another important source are food sales in cinemas (21%).
The total price to be paid for the 84% stake in Helios will be EUR 25m (PLN 102.7m). The purchase price may be increased by no more than EUR 1.1m (PLN 4.5m) following an examination of Helios's liabilities by an external expert. Assuming that this additional payment will be made, the implied price for Helios in its entirety is ca. PLN 127m. The company has net debt of ca. PLN 100m, which means its EV is approximately PLN 227m.
The takeover of Helios makes Agora more independent of advertising revenues and the current situation in that market. Cinema advertising accounts for a mere 1% of total advertising spend in Poland; despite its fast growth in the past few years, it is likely to remain of much lesser importance for Polish advertisers than TV, newspapers, internet or outdoor advertising. In the case of Helios, advertising revenue is of lesser importance than for its peers (5% of total revenue vs. 12% at CCI). If Helios had been consolidated in FY 2009, the share of advertising revenue in Agora's total revenue would have been 56.5% rather than 66.0%. At the same time, the business model of Helios and its market environment are familiar enough for Agora to facilitate its seamless inclusion in the Group.

Valuation

Valuation summary

	PLN m	Weight	9MTP
DCF valuation	1231.3	50%	
Relative valuation	994.5	50%	
incl.			
based on P/E	658.8	50%	
based on EV/EBITDA	1330.1	50%	
Value created by the Helios acquisition	74.8		
Average	**1187.7**		**1284.7**
Value per share			25.2

Model Assumptions

1. Our earnings forecast horizon extends from FY2010 to FY2019.
2. In the forecast horizon and beyond, our assumed risk-free rate is 5.9% (yield on 10Y T-bonds).
3. Expected FCF growth rate after the last year of the forecast horizon is 3.0%.
4. Net debt is as at year-end 2009.
5. We have valued the Group as the sum of its assets, with a separate valuation of continuing operations and for value created in the acquisition of Helios.
6. Due to the lack of a full financial statement for Helios for FY 2009, we have decided not to prepare forecasts for it for the coming years and we have valued it using its past earnings (from 2009).
7. In the relative valuation for Helios, we have applied a 10% premium to reflect the fact that the Polish cinema market is expected to grow faster.

Relative Valuation

We compared the EV/EBITDA and P/E multiples of Agora and its foreign peers as estimated for the years 2010, 2011, and 2012. The forecast years are given 25%, 45%, and 30% weights respectively.

P/E and EV/EBITDA estimates for comparable media companies

		EV/EBITDA			P/E		
	Price	2010F	2011F	2012F	2010F	2011F	2012F
Promotora de information (Prisa)		8.8	8.0	8.0	5.3	4.0	2.8
Gruppo Editoriale L'Esspresso		6.3	5.4	4.6	13.6	10.3	8.2
Axel Springer AG		7.2	6.2	5.8	11.6	9.8	9.0
Daily Mail		8.3	7.6	7.0	11.5	9.9	9.0
McClatchy Corp		5.8	5.9	-	7.9	8.4	-
New York Times Corp		5.1	5.2	-	12.8	12.6	-
Naspers Ltd		13.2	10.8	9.0	21.0	15.9	12.4
RCS Mediagroup		10.9	9.0	8.3	26.7	14.5	9.9
Arnoldo Mondadori Editore		6.7	5.8	5.6	10.2	8.0	7.0
Maximum		13.2	10.8	9.0	26.7	15.9	12.4
Minimum		5.1	5.2	4.6	5.3	4.0	2.8
Median		**7.2**	**6.2**	**7.0**	**11.6**	**9.9**	**9.0**
Agora	24.8	**6.8**	**6.5**	**5.5**	**21.2**	**20.4**	**16.2**
Premium / discount		-5.0%	5.0%	-21.9%	82.3%	105.5%	80.4%

P/E and EV/EBITDA for cinema operators

	2009F EV/EBITDA	2009F P/E
CJ CGV CO LTD	7.2	11.6
CINEWORLD GROUP PLC	6.8	11.2
CARMIKE CINEMAS INC	7.4	-
CINEMARK HOLDINGS INC	7.7	22.0
CINEMAX INDIA LTD	7.2	14.8
FAME INDIA LTD	19.6	143.3
KINEPOLIS	6.7	14.1
MAJOR CINEPLEX GROUP PCL	8.4	26.9
NATIONAL CINEMEDIA INC	8.4	31.0
PVR LTD	7.8	25.4
REGAL ENTERTAINMENT GROUP-A	7.6	23.2
CINEMA CITY INTERNATIONAL NV	10.9	17.2
Maximum	19.6	143.3
Minimum	6.7	11.2
Median	**7.7**	**22.0**
Helios	**6.2**	**10.4**
Premium / discount	-19.6%	-52.9%

Overview of the valuation of CF Helios

	PLN m	Weight
Relative valuation	216.3	100%
incl.		
based on P/E	249.4	50%
based on EV/EBITDA	183.2	50%
Implied price for the 84% stake	181.7	
Price to be paid for Helios	106.9	
Value created by the acquisition	74.8	

DCF Valuation Model

(PLN m)	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2019+
Sales revenue	**1 087.8**	**1 134.0**	**1 214.3**	**1 296.7**	**1 371.1**	**1 436.0**	**1 489.1**	**1 534.5**	**1 575.0**	**1 617,4**	
Change	*-2.0%*	*4.2%*	*7.1%*	*6.8%*	*5.7%*	*4.7%*	*3.7%*	*3.0%*	*2.6%*	*0,0%*	
EBITDA	**149.8**	**148.9**	**164.3**	**178.0**	**187.3**	**196.1**	**203.8**	**209.4**	**212.6**	**216,8**	
EBITDA margin	*13.8%*	*13.1%*	*13.5%*	*13.7%*	*13.7%*	*13.7%*	*13.7%*	*13.6%*	*13.5%*	*13,4%*	
D&A expenses	84.4	84.7	85.0	85.3	85.7	86.0	86.4	86.7	87.1	87,5	
EBIT	**65.4**	**64.2**	**79.3**	**92.7**	**101.7**	**110.1**	**117.4**	**122.6**	**125.5**	**129,2**	
EBIT margin	*6.0%*	*5.7%*	*6.5%*	*7.1%*	*7.4%*	*7.7%*	*7.9%*	*8.0%*	*8.0%*	*8,0%*	
Tax rate on EBIT	12.4	12.2	15.1	17.6	19.3	20.9	22.3	23.3	23.8	24,5	
NOPLAT	**53.0**	**52.0**	**64.3**	**75.1**	**82.4**	**89.2**	**95.1**	**99.3**	**101.6**	**104,7**	
CAPEX	-59.3	-60.5	-63.5	-66.5	-68.9	-70.7	-71.9	-72.6	-73.0	-87,5	
Working capital	-12.6	-1.1	-3.1	-3.9	-3.7	-3.9	-4.0	-2.8	-2.6	-2,8	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0,0	
FCF	**65.5**	**75.0**	**82.6**	**90.0**	**95.4**	**100.6**	**105.6**	**110.7**	**113.1**	**101,8**	**104.9**
WACC	*10.9%*	*10.9%*	*10.9%*	*10.9%*	*10.9%*	*10.9%*	*10.9%*	*10.9%*	*10.9%*	*10,9%*	
discount factor	*94.1%*	*84.9%*	*76.5%*	*69.0%*	*62.2%*	*56.1%*	*50.6%*	*45.6%*	*41.1%*	*33,5%*	
PV FCF	61.7	63.7	63.2	62.1	59.4	56.4	53.5	50.5	46.5	492,5	
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	*3.0%*
Terminal value	1 327.5
Present value of the terminal value (PV TV)	492.5
Present value of FCF in the forecast horizon	554.9
Enterprise value (EV)	1 047.4
Net debt	-183.8
Other non-operating assets	0.0
Minority interests	0.0
Equity value	1 231.3
Number of shares (millions)	50.9
Equity value per share (PLN)	**24.2**
Cost of equity (9M)	8.2%
Target price	**26.1**

Sensitivity analysis

	FCF growth in perpetuity				
	1.0%	**2.0%**	**3.0%**	**4.0%**	**5.0%**
WACC +1.0pp	22.2	21.6	21.1	20.9	21.0
WACC +0.5pp	23.1	23.9	24.9	26.1	27.8
WACC	24.0	25.0	**26.1**	27.7	29.7
WACC -0.5pp	25.1	26.2	27.6	29.4	31.9
WACC -1.0pp	26.3	27.6	29.3	31.5	34.6

EV/EBITDA('09) for the target price	7.0
P/E('09) for the target price	22.4
TV to EV	47%

Income Statement

(PLN m)	2008	2009	2010F	2011F	2012F	2013F	2014F
Sales revenue	**1 277.7**	**1 110.1**	**1 087.8**	**1 134.0**	**1 214.3**	**1 296.7**	**1 371.1**
Change	*0.4%*	*-13.1%*	*-2.0%*	*4.2%*	*7.1%*	*6.8%*	*5.7%*
Advertising revenue	916.1	732.2	735.0	778.0	855.2	934.3	1 005.1
Printed publications	200.2	193.4	185.0	183.3	181.6	180.1	178.6
Book / DVD collections	63.2	79.8	70.1	71.1	72.9	74.7	76.6
Other	98.2	104.7	97.7	101.5	104.5	107.6	110.8
Operating expenses	**1 233.1**	**1 057.2**	**1 022.4**	**1 069.7**	**1 134.9**	**1 204.0**	**1 269.4**
Utilities and materials	211.2	222.8	201.0	206.8	216.7	228.7	239.1
Salaries	298.7	268.1	262.5	268.6	285.7	302.8	319.7
Incentive stock options	27.2	10.2	13.9	29.5	32.7	34.6	36.0
D&A expenses	83.8	81.2	84.4	84.7	85.0	85.3	85.7
Entertainment	218.2	150.1	141.4	148.0	160.1	172.9	185.8
One-time events	41.7	2.3	0.0	0.0	0.0	0.0	0.0
Other	352.3	322.5	307.0	319.5	341.1	365.2	387.8
EBIT	**44.6**	**52.9**	**65.4**	**64.2**	**79.3**	**92.7**	**101.7**
Change	*-62.9%*	*18.6%*	*23.6%*	*-1.8%*	*23.5%*	*16.9%*	*9.7%*
EBIT margin	*3.5%*	*4.8%*	*6.0%*	*5.7%*	*6.5%*	*7.1%*	*7.4%*
Profit/loss on financial activity	4.9	2.5	9.0	12.3	16.1	20.3	24.6
Equity in income of associates	-1.6	-1.0	-0.7	0.2	1.3	1.4	1.5
Pre-tax income	**47.9**	**54.4**	**73.7**	**76.8**	**96.7**	**114.4**	**127.8**
Tax	-24.6	-17.1	-14.0	-14.6	-18.4	-21.7	-24.3
Minority interests	-0.1	-1.0	0.2	0.3	0.4	0.5	0.7
Net income	**23.4**	**38.3**	**59.5**	**61.9**	**77.9**	**92.1**	**102.8**
Change	*-76.7%*	*63.6%*	*55.3%*	*4.1%*	*25.9%*	*18.2%*	*11.6%*
Margin	*1.8%*	*3.5%*	*5.5%*	*5.5%*	*6.4%*	*7.1%*	*7.5%*
D&A expenses	83.8	81.2	84.4	84.7	85.0	85.3	85.7
EBITDA	**128.4**	**134.1**	**149.8**	**148.9**	**164.3**	**178.0**	**187.3**
Change	*-35.3%*	*4.4%*	*11.7%*	*-0.6%*	*10.4%*	*8.3%*	*5.2%*
EBITDA margin	*10.0%*	*12.1%*	*13.8%*	*13.1%*	*13.5%*	*13.7%*	*13.7%*
Shares at year-end (millions)	55.0	50.9	50.9	50.9	50.9	50.9	50.9
EPS	0.4	0.8	1.2	1.2	1.5	1.8	2.0
CEPS	2.0	2.3	2.8	2.9	3.2	3.5	3.7
ROAE	*2.0%*	*3.2%*	*4.9%*	*4.9%*	*6.0%*	*6.9%*	*7.4%*
ROAA	*1.5%*	*2.4%*	*3.8%*	*3.9%*	*4.7%*	*5.4%*	*5.8%*

Balance Sheet

(PLN m)	2008	2009	2010F	2011F	2012F	2013F	2014F
ASSETS	**1 598.6**	**1 538.2**	**1 568.2**	**1 610.3**	**1 672.7**	**1 741.1**	**1 811.8**
Fixed assets	**1 065.8**	**1 023.5**	**998.4**	**974.3**	**952.8**	**934.0**	**917.2**
Property, plant and equipment	650.7	613.1	608.1	603.2	598.9	595.2	591.8
Intangible assets	397.0	394.2	374.1	354.8	337.6	322.6	309.1
Long-term financial assets	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Investments in associates	0.4	0.6	0.6	0.6	0.6	0.6	0.6
Long-term prepayments	6.8	8.5	8.5	8.5	8.5	8.5	8.5
Deferred-tax assets	10.7	6.9	6.9	6.9	6.9	6.9	6.9
Current assets	**532.7**	**514.7**	**569.8**	**636.0**	**719.9**	**807.1**	**894.6**
Inventories	18.9	16.2	16.2	17.5	19.2	21.0	22.9
Trade creditors, prepayments	244.9	215.7	217.4	226.6	242.7	259.2	274.0
Current taxes receivable	5.3	4.1	4.5	4.7	5.0	5.3	5.7
Short-term financial assets	0.0	154.4	154.4	154.4	154.4	154.4	154.4
Cash	263.7	124.2	177.3	232.7	298.5	367.1	437.5

(PLN m)	2008	2009	2010F	2011F	2012F	2013F	2014F
LIABILITIES	**1 598.6**	**1 538.2**	**1 568.2**	**1 610.3**	**1 672.7**	**1 741.1**	**1 811.8**
Equity	**1 167.1**	**1 196.1**	**1 236.6**	**1 269.0**	**1 316.4**	**1 370.1**	**1 427.5**
Share capital	55.0	50.9	50.9	50.9	50.9	50.9	50.9
Reserves	219.5	146.7	146.7	146.7	146.7	146.7	146.7
Retained earnings	892.8	998.6	1 039.0	1 071.1	1 118.1	1 171.3	1 228.0
Minority interests	-0.1	-0.2	0.0	0.3	0.7	1.2	1.8
Long-term liabilities	**138.5**	**99.9**	**98.0**	**99.3**	**101.9**	**104.5**	**106.7**
Loans	95.5	52.4	52.4	52.4	52.4	52.4	52.4
Reserves	43.0	47.1	45.2	46.5	49.1	51.7	53.9
Long-term accruals	0.1	0.4	0.4	0.4	0.4	0.4	0.4
Short-term liabilities	**292.9**	**242.2**	**233.7**	**242.0**	**254.4**	**266.5**	**277.6**
Loans	59.7	42.4	42.4	42.4	42.4	42.4	42.4
Trade creditors	167.6	146.6	139.0	145.4	154.3	163.0	171.2
Other liabilities	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Reserves	15.0	12.6	12.7	13.3	14.2	15.2	16.1
Accruals	50.5	40.5	39.4	40.8	43.4	45.8	47.8
Debt	155.2	94.8	94.8	94.8	94.8	94.8	94.8
Net debt	-108.5	-183.8	-236.9	-292.4	-358.1	-426.7	-497.2
(Net debt / Equity)	*-9.3%*	*-15.4%*	*-19.2%*	*-23.0%*	*-27.2%*	*-31.1%*	*-34.8%*
(Net debt / EBITDA)	-0.8	-1.4	-1.6	-2.0	-2.2	-2.4	-2.7
BVPS	21.2	23.5	24.3	24.9	25.8	26.9	28.0

Cash Flows

(PLN m)	2008	2009	2010F	2011F	2012F	2013F	2014F
Cash flows from operating activities	**183.5**	**139.9**	**122.5**	**133.4**	**144.2**	**153.8**	**160.9**
Pre-tax income	47.9	54.4	73.7	76.8	96.7	114.4	127.8
Interest	-4.9	-2.5	-9.0	-12.3	-16.1	-20.3	-24.6
D&A expenses	83.8	81.2	84.4	84.7	85.0	85.3	85.7
Working capital	30.2	4.1	-12.6	-1.1	-3.1	-3.9	-3.7
Tax	-32.1	-10.6	-14.0	-14.6	-18.4	-21.7	-24.3
Other	58.7	12.3	0.0	0.0	0.0	0.0	0.0
Cash flows from investing activities	**-153.0**	**-200.1**	**-40.3**	**-38.3**	**-37.5**	**-36.3**	**-34.4**
CAPEX	-114.6	-52.6	-59.3	-60.5	-63.5	-66.5	-68.9
Equity investments	-120.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	81.6	-147.5	18.9	22.3	26.0	30.2	34.5
Cash flows from financing activities	**-104.5**	**-79.4**	**-29.1**	**-39.7**	**-40.9**	**-48.9**	**-56.0**
Debt	16.0	-60.4	0.0	0.0	0.0	0.0	0.0
Stock offering	0.0	-19.0	0.0	0.0	0.0	0.0	0.0
Dividends/share buy-back	-98.9	0.0	-19.1	-29.7	-30.9	-39.0	-46.1
Interest	-16.2	0.0	-10.0	-10.0	-10.0	-10.0	-10.0
Other	-5.4	0.0	0.0	0.0	0.0	0.0	0.0
Change in cash	**-74.0**	**-139.6**	**53.1**	**55.4**	**65.8**	**68.6**	**70.5**
Cash at end of period	263.7	124.2	177.3	232.7	298.5	367.1	437.5
DPS (PLN)	0.0	0.4	0.6	0.6	0.8	0.9	1.0
FCF	19.7	66.7	65.5	75.0	82.6	90.0	95.4
(CAPEX / Sales)	*9.1%*	*4.9%*	*5.4%*	*5.3%*	*5.2%*	*5.1%*	*5.0%*

Market multiples

	2008	2009	2010F	2011F	2012F	2013F	2014F
P/E	58.1	32.9	21.2	20.4	16.2	13.7	12.3
P/CE	12.7	10.6	8.8	8.6	7.7	7.1	6.7
P/BV	1.2	1.1	1.0	1.0	1.0	0.9	0.9
P/S	1.1	1.1	1.2	1.1	1.0	1.0	0.9
FCF/EV	*1.6%*	*6.2%*	*6.4%*	*7.7%*	*9.1%*	*10.8%*	*12.5%*
EV/EBITDA	9.8	8.0	6.8	6.5	5.5	4.7	4.1
EV/EBIT	28.1	20.4	15.7	15.1	11.4	9.0	7.5
EV/S	1.0	1.0	0.9	0.9	0.7	0.6	0.6
DYield	*0.0%*	*1.5%*	*2.4%*	*2.5%*	*3.1%*	*3.7%*	*4.1%*

Price (PLN)							
Shares at year-end (millions)	55.0	50.9	50.9	50.9	50.9	50.9	50.9
MC (PLN m)	1361.2	1261.2	1261.2	1261.2	1261.2	1261.2	1261.2
Equity attributable to minority shareholders (PLN m)	-0.1	-0.2	0.0	0.3	0.7	1.2	1.8
EV (PLN m)	1 252.6	1 077.2	1 024.3	969.1	903.8	835.7	765.9

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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*

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WIG on rating day	36009.43	40229.36	38533.89