Agora Group: mid-term growth directions
Key challenges

Growth directions of the Agora Group

**TASK 1: Transformation of print media**

**TASK 2: Building a position in the TV market**

**TASK 3: Improving contribution of main businesses**

- **INTERNET**
- **CINEMA & FILM**
- **RADIO & MUSIC**
- **OUTDOOR**

**PRINTING SERVICES – effective utilization of production capacity**

**TASK 4: Cost optimization of shared support functions**

Summary: Development within the frame of mission
Key challenges

DETERIORATING REVENUE AND PROFITABILITY

REVENUE (PLN million)  EBIT (PLN million)

COST (PLN million)

PURCHASE OF HELIOS CINEMA NETWORK

Source: consolidated financial statements according to IFRS, 2008-2013
Key challenges

EVOLUTION OF THE GROUP’S EBIT STRUCTURE

Source: consolidated financial statements according to IFRS, 2008-2013
In the past 5 years ad spend in Poland shrank by PLN 1 billion.

Stable share of TV
(50%)

Shrinking share of print media
(ad spend down by PLN 1.1 billion)

Growth of digital media despite recession
(ad spend up by PLN 700 million)

Source: ad spend estimates by: Agora (press based on Kantar Media and Agora’s monitoring, radio based on Kantar Media), IGRZ (outdoor), Starlink (TV, cinema, Internet – comprise revenues from e-mail marketing, display, search engine marketing and since 1Q2012 revenues from video advertising.)
Key challenges

CHANGES IN THE STRUCTURE OF THE GROUP’S REVENUES

Revenues decreased by PLN 204 million in the past 5 years

Deep erosion of print media revenues – down by PLN 394 million

Positive impact of the Helios acquisition

Recession inhibits growth of other businesses (down by PLN 6.3 million)

Source: consolidated financial statements according to IFRS, 2008-2013
Key challenges

CHANGES IN THE STRUCTURE OF THE GROUP’S REVENUES

% share

Advertising revenues
Non-advertising revenues

Traditional revenues
Digital revenues

Source: consolidated financial statements according to IFRS, 2008-2013
Growth directions of the Agora Group

MID-TERM PRIORITIES OF THE AGORA GROUP

REVENUE GROWTH

PROFITABILITY IMPROVEMENT

STRATEGIC TASKS FOR THE COMING YEARS

1. Digital transformation of print media
2. Building a position in the TV market
3. Improve contribution from core businesses
4. Cost optimization of shared support functions
**TASK 1: Transformation of print media**

**No. 1 quality newspaper in Poland**
**Pioneer of digital transformation**

**Owner of online bookstore Publio**
**Respected publishing house**

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**SUCCESES**

- Agora’s publishing house - 600 thousand sold books
- Publio.pl – over 430 thousand digital publications distributed in different models
- Total revenue: PLN 18.6 million in 2013

**CHALLENGES**

- Copy price increases slow down the drop in revenue from copy sales
- Investment in the quality of content
- Launch of metered paywall

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**Source:** consolidated financial statements according to IFRS, 2008-2013; data regarding copy sales and revenues of Publio.pl have not been published in the Group’s financial statements.
**TASK 1: Transformation of print media**

**PRIORITIES**
- Slowing down the pace of print revenue decline
- Building a significant base of paying digital subscribers

**BENCHMARKS**
- **DIE WELT**
  - 47,000 digital subscriptions
  - 227,248 paper copy sales

**Quality Journalism**

**Source:** Agora's own estimates based on „The NYT paywall plugs the hole”, 06.11.2013, Columbia Journalism Review published by Ryana Chittuma.

**Die Welt:** June 2013, after 6 months of paywall
TASK 1: Transformation of print media

NEW BUSINESS MODEL

REVENUE STREAMS
2008

PRINT COPY SALES

PRINT ADVERTISING

2016

DIGITAL SUBSCRIPTIONS

DIGITAL ADVERTISING

PRINT COPY SALES

PRINT ADVERTISING

OBJECTIVES

paid subscriptions:
40 thou. thru 2014
75 thou. thru 2016

CAPEX

negligible; project phase entails growth of operating cost

ASPIRATIONS

Stabilization of the segment’s profitability by 2016
Agora’s entry into TV business
Specialised movie channel
Joint project with Kino Polska TV S.A. (41% share)
An opportunity to combine the potential of TV and the new technologies

Adding the TV segment to the portfolio of businesses
Growth of scale
Gaining the share of revenues from the largest segment of ad market

TV AD MARKET TRENDS

- The largest ad market segment with stable share
- Growing strength of thematic channels

Source: ad spend estimates by: Agora (press based on Kantar Media and Agora’s monitoring, radio based on Kantar Media), IGRZ (outdoor)
Starlink (TV, cinema, Internet – comprise revenues from e-mail marketing, display, search engine marketing and since 1Q2012 revenues from video advertising.
TASK 2: Building a position in the TV market

STRONG START

Technical reach 90%

MUX - 1

START
15.03.2014

CABLE NETWORKS

SATELLITE PLATFORMS

OBJECTIVES

audience share: 1% thru 2014
2% thru 2016

profitability: 2015

CAPEX

PLN 10 million thru 2016

ASPIRATIONS

broadening TV presence
Among 3 TOP portals in Poland
12.4 million real users
Innovative mobile apps

Source: financials: consolidated financial statements according to IFRS, 4Q2013. Internet division, Agora Ukraine, AdTaily, Trader.com (Polska) including print revenues, Sport4People; Megapanel PBI/Gemius, reach, real users, December 2012, December 2013; selected online publishers.
**TASK 3: Improving contribution of main businesses - INTERNET**

**PRIORITIES**
- Maintaining reach and increasing engagement of users
  - Development of attractive content
  - Development of mobile apps and video content

**OBJECTIVES**
- EBIT Margin: 15.5% in 2013 → 20% in 2018

**CAPEX**
- PLN 20 million by 2018

**ASPIRATION**
- Expand portfolio of attractive offerings by means of organic growth and via selective acquisitions

**STRENGTHENING ADVERTISING OFFER**
- Development of advertising offer
  - Mobile advertising
  - Video advertising
  - Content marketing

**IMPLEMENTATION OF NEW SOLUTIONS**
- Real time bidding

**NEW REVENUE STREAMS**
- Lead generation
- Selection of e-commerce projects
One of the largest cinema operators in Poland
Film co-producer and distributor
„Traffic department” the most popular Polish movie in 2013

Objectives

**EBIT MARGIN:**
- 3% in 2013
- 9-10% in 2018

Priorities

**Growth of Helios network**
- Openings in 2014:
  - Siedlce, Kalisz 1H2014
  - Starachowice, Białystok, Jelenia Gora 2H2014

**Growth of cinema distribution operations**
- Plans for 2014:
  - Powstanie Warszawskie 1H2014
  - Karuzela 1H2014
  - Bogowie 2H2014
  - Serce, serduszko i wyprawa na koniec świata 2H2014
**TASK 3: Improving contribution of main businesses - CINEMA & FILM**

**CAPEX**
PLN 80 million thru 2018

**ASPIRATIONS**

**Multiscreen cinemas in all voivodship cities**
31.12.2013

28 CITIES / 31 CINEMAS

11 VOIVODSHIP CITIES / 14 CINEMAS

OPENING OF DOZEN OR SO MULTISCREEN CINEMAS

KATOWICE
LODZ
POZNAN
WROCŁAW
WARSZAWA ?
KRAKOW ?

**Agora as the lead producer in 2015**

Achievements to date:

CO-PRODUCER OF 5 MOVIES

SWIADECTWO
POSTE RESTANTE
BABY SA JAKIES INNE
DROGOWKA
AMBASSADA

**PLANS**

CO-PRODUCTION OF 2 MOVIES IN 2014
FIRST FILM PRODUCTION IN 2015
(LEAD PRODUCER)
Network of local radio stations with stable position
Organizer of music events
Publisher and distributor of CDs

PRIORITIES

Effective use of licenses and music formats
- 7 NEW LICENSES IN 2012
  - REACH: 16 urban areas

BROADENING THE REACH AND NEW LICENSE IN LEGNICA IN 2013
  - REACH: 21 local radio stations

CHANGE OF FORMAT IN 2014
  - REACH: 7 local stations

Participation in bids for new licenses
- 2 WON BIDS FOR BROADENING REACH OF ZŁOTE PRZEBOJE
- PARTICIPATION IN BID FOR BROADENING THE LICENSE:
  - 4 FOR ZŁOTE PRZEBOJE
  - 1 FOR TOKFM
- PARTICIPATION IN THE BIDS FOR NEW LICENSES:
  - 5 FOR ZŁOTE PRZEBOJE
  - 1 FOR BLUE FM

OBJECTIVES

EBIT MARGIN:
- 6% in 2013
- 9% in 2017

Revenue growth
**TASK 3: Improving contribution of main businesses - RADIO & MUSIC**

**CAPEX**

PLN 17 million by 2018

**ASPIRATIONS**

Search for ways to monetize audio content in the digital sphere

**TUBA FM**

TubaFM recipients in all channels of distribution

0.91 million users

**TOK FM MOBILE APP**

FOR LISTENING TO THE RADIO LIVE ONLINE AND AT ANY TIME

START 04.02.2014

Source: WWW - Gemius Traffic; mobile applications: Flurry (iOS, Android, WindowsPhone, Blackberry) + Nokia (Symbian) + Samsung (Bada) + Microsoft (Windows 8); TV sets and decoders: Gemius Stream + NC+
The largest outdoor advertising company in Poland
Leader in the premium segment (citylights & backlights)
Bus shelter – new experience in the public space

Priorities

Strengthening the position in premium segment - citylights

<table>
<thead>
<tr>
<th>Year</th>
<th>Citylights</th>
<th>Traditional</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>Citylight 15%</td>
<td>Traditional 85%</td>
<td>Other 9%</td>
</tr>
<tr>
<td>2013</td>
<td>Citylight 15%</td>
<td>Traditional 80%</td>
<td>Other 9%</td>
</tr>
</tbody>
</table>

AMS Share 2013

Smart OOH

Source: ad expenditure in outdoor: IGRZ.
**TASK 3: Improving contribution of main businesses - OUTDOOR**

**PRIORITIES**
- Implementation of the Warsaw contract (duration – 9 years)

**OBJECTIVE**
- EBIT MARGIN: 2.5% in 2013 → 8-10% in 2017

**CAPEX**
- PLN 90 million by 2016

**ASPIRATIONS**
- Citylight in a bus shelter as a multimedia communication channel

**construction of 1580 bus shelters in 2014-2016**
- 2014 - 180 bus shelters
- 2015 - 720 bus shelters
- 2016 - 680 bus shelters

**CAPEX – PLN 80 million**
3 printing plants
Offset and heatset printing technology
Dailies, periodicals, catalogues
and promotional materials
Polish and foreign clients

**Priorities**
- effective utilization of production capacity
- ensuring low production cost for our publications
- supporting the development of our custom publishing activity

**Objectives**
Profitability on the EBIT level

**CAPEX**
maintenance capex - PLN 15 million thru 2016

The share of revenues from printing services in total sales of the Group
**OBJECTIVE**

Cost savings from restructuring processes

- Group layoffs in 2008 result in cost savings of PLN 11 million in 2009.
- Group layoffs in 2012 result in cost savings of PLN 18 million.

**PRIORITIES**

Decreasing the cost of shared functions in the Group

- The share of cost generated by shared support functions in the Agora Group revenues without cinema (pro forma):
  - 2008: 11.16%
  - 2009: 9.76%
  - 2010: 8.98%
  - 2011: 9.11%
  - 2012: 8.59%
  - 2013: 8.00%

**COST SAVINGS:** PLN 316 MILLION

Including Group Lay-Offs

AGORA GROUP OPERATING COST WITHOUT THE COST OF HELIOS NETWORK, D&A COST AND ONE OFFS.

Transfer of local administration functions from the press segment to central admin.

**THE SHARE OF COST GENERATED BY SHARED SUPPORT FUNCTIONS IN THE AGORA GROUP REVENUES WITHOUT CINEMA (PRO FORMA)**

- Management and D&A: 7.5%
- Cost of shared support functions: 6.8%

Source: consolidated financial statements according to IFRS, 2008-2013

1 Cost of shared functions shown in reconciling position in the Group's financial statements present data not included in business segments, inter alia other revenues and cost of supporting divisions (centralized technological, administration, financial, human resources functions) as well as the cost of Agora’s Management Board and Agora TC Sp. z o.o.
Summary: Development within the frame of mission

MID-TERM PRIORITIES OF THE AGORA GROUP

Growth of digital revenues
- Transformation of print media
- Internet

Building the position in TV segment

Growth of scale and contribution of leading media
- Cinema
- Outdoor
- Radio

Optimization of shared services and infrastructure cost

DEVELOPMENT WITHIN THE FRAME OF MISSION

Provide quality information and entertainment to consumers and effective tools for linking business to their target audiences
THANK YOU

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