MCI Management S.A.

MCI Management slowly diversifies its investment portfolio. ABC Data still remains the key investment although a full or partial exit and the IPO of PEM should reduce its impact. The company continues to be evaluated with the discount of 14% to par value at the end of 3Q 2013, according to our estimates at the end of 2013 this discount grows to 17%. In our opinion, the company has good exposure to the continuing bull market. We valuate MCI at 13.56 PLN in the time horizon of nine months, which implies 33% growth potential above the current share price, which is why we are starting to issue recommendations for the Company with BUY.

ABC Data – industry investor or institutions?

ABC Data published very good results for 3Q 2013. The Board of the company sustained the annual forecast of revenues over 4.8 billion PLN and EBITDA 80 million PLN. In turn, the Board of MCI expects its subsidiary to deliver a three-digit EBITDA profit in 2014. With the assumption of 100 million PLN EBITDA next year and including factoring in debt (110 million PLN), this implies the indicator EV/EBITDA of 7.9x, which in our opinion at this time is on par valuation. Since June 2013, Jefferies has been seeking out optimum development paths for the company, including an industry investor. We believe that the price expectations of MCI as well as a potential buyer might not be aligned. Considering significant financial liquidity in the Group and a sweetener valid through the end of 2014, we do not expect to see the sale of ABC Data shares in the next few months.

Investment portfolio - exposure to the continuing bull market

The investment portfolio of MCI is ideally exposed to the continuing bull market, in particular in the segment of small and medium enterprises. First of all, MCI has public listed companies in its portfolio. In the case of ABC Data, we believe that the current valuation of the company is on par, however maintaining high growth dynamics of the results in combination with the bull market results in expanding valuation factors. Second, MCI plans for the years 2014 and 2015 exits from portfolio investments, which should be made easier by favorable market conditions. Third, the valuation growth will translate into increased results, and thus the valuation of the planned IPO of PEM through the mechanism of variable fee increase.

PEM – planned partial exit in 2014 to bring the valuation of the company closer to market value

At the end of September 2013, the valuation of PEM is 105 million PLN. In 2014, MCI wants to make the company public and execute a partial exit. Until assets under management grew significantly, the results of PEM will be highly dependent on the variable fee. In 2012, it was responsible for about 48% of profit, and in 2013, it is estimated at 70%. Therefore, the current valuation of the PEM Company at the level of 105 million PLN may turn out both on par and conservative. We estimate that the increase of value of assets under management by a few percent above our assumptions will have a significant impact on the increase of PEM valuation.

Valuation and recommendation risk

We see a series of risk factors for our valuation and recommendation, but the most important ones are limited liquidity and investment concentration, as well as the dependency on the stock prices of portfolio companies and the market situation in general.

The value of MCI Management S.A. shares was estimated on the basis of the investment portfolio valuation (12.4 PLN) and comparative methods (13.5 PLN), which after weighing 75% and 25% respectively, adding cost of equity at 10% implies the nine-month target price of 13.6 PLN.

million PLN	2010	2011	2012	2013F	2014F	2015F
Revenues	12	34	32	65	33	39
Net profit	156	17	41	208	101	118
NAV/share	8,0	8,4	9,2	12,5	14,1	16,0
P/E (x)	4,1	37,4	15,5	3,1	6,3	5,4
P/NAV (%)	128%	121%	112%	82%	72%	64%

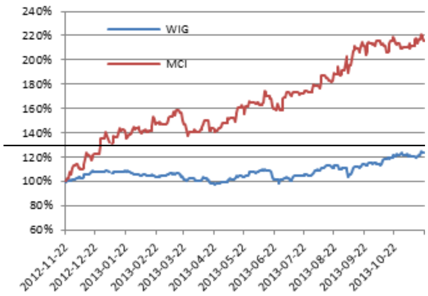
Source: the Company, Noble Securities,

NOBLE SECURITIES
DOM MAKLERSKI

BUY

(First recommendation)

Current price	10.22 PLN
Target price (9M)	13.56 PLN
Growth potential	33%
Capitalization	641 million PLN
Free float	47.07%
Avg. volume 6M	85 879



COMPANY PROFILE

MCI Management is one of the leading private multistage equity funds in Central Eastern Europe. Since 1999, the group executed over 50 investment projects and nearly 30 full exits. It manages assets worth over 1 billion PLN.

SHAREHOLDING STRUCTURE

Tomasz Czechowicz	49.88%
Quercus TFI	6.73%
Others	43.40%

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VALUATION

The shares of MCI were valuated as the value of the investment portfolio (NAV) at the end of 2013 and using the comparative method against several European PE companies in order to capture the growth potential in the coming years, weighing these methods at 75% and 25% respectively. The target price in the nine-month time horizon is calculated at 13.6 PLN. The portfolio valuation assumes ABC Data share price at 4.5 PLN and the price of Indeks shares at 4.0 TRY (about 6.2 PLN). Equity cost is assumed at the level of 10%.

The table below presents a summary of the valuation:

Valuation summary	weight (x)	val. 1 share (PLN)
NAV valuation	0.75	12.4
Comparative valuation	0.25	13.5
Target price (9M)		**13.6**
Current price		10.2
Growth potential		33%

Source: Noble Securities

INVESTMENT PORTFOLIO VALUATION

The main change that occurred since the end of 3Q 2013, having a noticeable impact on the valuation of net assets at present, and it is also assumed that the situation will continue to the end of the year, is the increasing market price of ABC Data (4.40 PLN present versus 4.10 PLN at the end of 3Q 2013). The price of the second public listed company in the portfolio, the Turkish Indeks, is stable (3.92 TRY vs. 3.90 TRY at the end of 3Q 2013). Our opinion on the current valuation of major portfolio companies of MCI Management can be found below.

MCI.EUROVENTURES FIZ

Valuations of the companies are regulated by the market, so in this case it is obvious. One can always wonder whether the market valuation is the transaction price in the case of nonliquid companies, however the recent sale of 8.8% of ABC Data shares by Arthur Holding at 4.10 PLN (about 10% discount against market) shows that at least in the case of minority packages; the transaction price is at a slight discount to the market.

ABC Data – the company has impressively improved its financial results, liquidity factors and working capital. We assume that at least in the year 2014, the high growth dynamics of the results will be maintained and the company will record a three-digit EBITDA profit. With the assumption of EBITDA of 100 million PLN next year and including factoring in debt (110 million PLN), this implies the EV/EBITDA factor of 7.9x. **This valuation is in our opinion on par and suggests that the market discounts the significant results improvement in 2014 already and the further appreciation may be influenced by the expansion of valuation factors caused by the continuing bull market for small and medium enterprises or results exceeding assumed levels.**

Indeks – the company also nicely improved its financial results in the year 2013. Revenues for the period 1-3Q 2013 were over 1.1 billion TRY (+20% y/y) and EBITDA was 34.4 million TRY (+36% y/y). Revenue growth is in large the result of expanding the offer with telecommunications equipment and tablets by signing a distribution agreement with Apple. According to Bloomberg analysts, forecast of EBITDA profit for 2014 is 55 million TRY, which implies the EV/EBITDA factor of 6.1x. The average price of three recommendations issued since September 2013 according to Bloomberg was 5.15 TRY (vs. 3.92 TRY current market share price). **In our opinion, this investment has the prospects for higher returns than ABC Data in 2014.**

MCI.TECHVENTURES FIZ

When it comes to nonpublic companies, the investments are valuated at the purchase price for the first 12 months and then valuations are appropriately corrected using factorial methods discounted against the lack of liquidity. The investor has fewer opportunities to verify these investments due to the limited availability of financial information and information concerning shareholding, which lowers transparency. However, third parties are involved in the valuation process, i.e. the auditor and depositary, which should increase valuation credibility. Above all, the spectacular exit transaction of MCI Management from Mall.cz shows that the valuations of nonpublic companies could also be conservative (valuation at the end of 2011 was 123 million PLN and the exit in April 2012 was at 160 million PLN).

Invia.cz – the company's growth potential mainly seems to rely on the development of the e-travel market in Russia through Travelata.ru. MCI valuates its shareholding in the company at 90 million PLN, which implies P/S factors at the level of 2.3-2.5 and P/EBITDA of 10.3-11.1, and **the recent sale of a minority share package to Mezzanine Capital gives credibility to the valuation of the company.**

Other companies in the portfolio of MCI.TechVentures FIZ, including KupiVip.ru, Windeln.de, Morele.net, Geewa, Frisco.pl, NaviExpert and Answear.com – in the case of these companies the available financial information and the valuation factors are limited therefore we cannot comment on them. Nevertheless, we believe that these are **interesting investments, many of which are an attempt to copy the success of American or global companies, therefore the investment risk compared to all startups seem to be lower in the case of these companies.**

MCI.IMMOVENTURES FIZ

It a debenture fund, which includes real estate valuated at about 25 million PLN, as well as cash and cash equivalents. The total value of assets of the fund is about 54 million PLN. In this case, we are also not able to verify the valuation of the real estate portion; however, **its importance in the context of the whole MCI Group is not significant**.

PRIVATE EQUITY MANAGERS

The book valuation of PEM at the end of 3Q 2013 is 105 million PLN. In case of this company, which is to go public next year, we rather see the potential for the estimates to be exceeded. However, the results of PEM are and for some time until a larger mass of assets is built, will be mainly dependent on the variable fee, which in turn depends on the growth of value of assets under management. **In case of this company, we see the possibility for the value to grow above book valuation, perhaps even by more than 100 million PLN, this is however omitted in the conservative valuation.**

SENSITIVITY ANALYSIS OF MCI VALUATION TO THE CHANGES IN VALUE OF ABC DATA

ABC Data still remains the largest investment of the MCI Group. In the valuation, we assume the share price of ABC Data at 4.50 PLN. We estimate the share of ABC Data in the NAV of the MCI portfolio at about 46%. You can find the sensitivity analysis of partial valuations of one MCI Management share depending on the changes in the prices of ABC Data and Indeks presented below.

Sensitivity analysis of MCI valuation using partial sum method

	Share price of ABC Data (PLN)				
Share price of Indeks (TRY)	3.50	4.00	4.50	5.00	5.50
3.0	10.9	11.5	12.2	12.8	13.4
3.5	11.0	11.7	12.3	12.9	13.5
4.0	11.2	11.8	12.4	13.1	13.7
4.5	11.3	11.9	12.6	13.2	13.8
5.0	11.5	12.1	12.7	13.3	14.0

Source: Noble Securities

ASSUMPTIONS FOR THE FORECASTS OF PEM AND MCI MANAGEMENT RESULTS

1. **Value of assets under management (AUM)** – will continue to grow in the coming years, mainly due to growth in the value of assets, but also due to acquisition of new external assets:
   - **We assume acquisition of new assets** in the subfund MCI.EuroVentures in the amount of 25 million PLN in 2014 and 50 million PLN in the next years and in the subfund MCI.TechVentures in the amount of 50 million PLN. In the funds Helix Ventures Partners and Internet Ventures 4 million PLN per year,
   - **We assume the increase in value of net investment certificates after fixed fee** MCI.EuroVentures by 13% per year, MCI.TechVentures, MCI.BioVentures, Helix Ventures Partners, Internet Ventures by 15% per year.
2. **Management fees:**
   - **Fixed fee** in the maximum amount of 3-4.5% depending on the commitment to management in the given fund and the value of assets employed from a single client, and **result-based variable success fee** in the amount of 19-40% above 10-12.5% profit (in commitment funds 20% above IRR 6.33- 7.5%)
   –

	Fees		Comments
	fixed max	variable	
MCI.EuroVentures 1.0	3.00%	25% of the surplus above 10% profit	Fixed fee charged every quarter in relation to the NAV at the beginning of the previous quarter; variable fee at the end of the year or when issuing certificates; high water mark
MCI.TechVentures 1.0	3.25%	19-40% surplus above 10-12.5% profit	Fixed fee charged every quarter in relation to the NAV at the beginning of the previous quarter; variable fee at the end of the year or when issuing certificates; high water mark
MCI.BioVentures	3.25%	40% surplus above 10% profit	
Helix Ventures Partners	4.50%	20% above IRR 7.5%	4.5% up to 40 million PLN until 21.05.2014; later 4.5% on the invested amount less the value of sold securities (at sale price)
MCI.CreditVentures	3.00%	20% profit	
Internet Ventures	amount	20% above IRR 6.33%	Max. 3 million PLN per year in the years 2-7, total 5 million PLN in years 8-10

Source: MCI, Noble Securities

3. **Operating costs** – are assumed at the level of 13 million PLN in 2013, 16 million PLN in 2014 and growth of 10% in the following years.
4. **Cash flows from PEM to MCI –** we estimate net cash levels in PEM at present at 20 million PLN, after the variable success fee is collected for 2013, this should grow to over 60 million PLN. MCI may pay out these assets as dividends. Furthermore, MCI plans to repurchase its own shares by PEM for a loan of 40 million PLN taken in Alior Bank. This gives a total cash flow from PEM to MCI at about 100 million PLN. From the consolidated point of view, this is irrelevant, until the moment of the partial exit from PEM.

PEM RESULTS FORECAST

The financial results of PEM in 2012 were more or less half way dependent on the fixed fee and in the other half on the variable fee (carry interest). In the year 2013, the situation will significantly shift towards the variable fee, because for the first time the variable fee will be collected from MCI.EuroVentures. **In the investor presentation for 1H 2013, the board of MCI presented a forecast for PEM for the year 2013 - revenues 49 million PLN, EBITDA 36 million PLN and profit after tax of 33 million PLN. The final financial result of PEM will mainly depend on the share price of ABC Data at the end of 2013, because it will determine the value of the variable fee collected from MCI EuroVentures FIZ. According to our estimates, the results of PEM will be higher than the board's forecast. We estimate revenues at 65 million PLN, EBITDA at 52 million PLN and net profit at 48 million PLN.** We assume that it will be difficult to repeat such results in 2014; therefore, we forecast a lower result of PEM in 2014. Below you can find an assessment of historical results of PEM and our forecast for the coming years. We believe that these forecasts for the coming years are highly conservative.

Selected financial data of PEM (million PLN)	2011	2012	2013F	2014F	2015F
AUM (end of period)	733	830	1041	1209	1415
Revenues	**32**	**32**	**65**	**33**	**39**
Subfund MCI.EuroVentures 1.0	5	3	6	8	10
Subfund MCI.TechVentures 1.0	22	7	9	11	14
Other funds	5	6	5	4	4
Variable fee		15	46	10	12
EBITDA	**24**	**26**	**52**	**17**	**22**
Net profit	**17**	**26**	**48**	**15**	**20**

Source: MCI, Noble Securities

Comparative analysis of PEM

The IPO of PEM next year makes us attempt to evaluate this asset in comparison to similar companies. On the Warsaw Stock Exchange, there are many asset management companies, however in our opinion the comparison base is limited basically only to Quercus TFI, which manages external assets coming from retail clients and mainly does it through open-ended investment funds. When it comes to foreign companies, in particular on the American market, there are many companies of this type. Unfortunately, both Quercus TFI and foreign companies are not entities to be considered fully comparable to Private Equity Managers, which in our opinion is the result of PEM lacking a diversified group of clients and its poor track record in acquiring external assets. However, this is the comparison group most similar to PEM. Out of all the valuation indicators shown, the least meaningful seems to be P/AUM, which is the result of the incomparability of the base of assets under management (debentures and ETFs have low management fees).

Indicator summary of the comparative valuation of PEM

Company	Currency	AUM	Capitalization (million)	P/E (x)			EV/EBITDA (x)			P/AUM
				2013F	2014F	2015F	2013F	2014F	2015F	
BLACKSTONE GROUP LP/THE	USD	248 065	29 860	11.3	9.2	8.0	12.3	9.2	8.4	12%
CARLYLE GROUP/THE	USD	185 024	10 115	12.9	10.2	9.6	21.0	16.7	14.4	5%
APOLLO GLOBAL MANAGEMENT	USD	112 687	5 074	13.8	12.7	11.9				5%
FORTRESS INVESTMENT GRP	USD	57 971	3 698	10.1	9.7	8.2				6%
BLACKROCK INC	USD	4 096 356	51 348	18.9	17.0	14.7	12.3	10.6	9.1	1%
LEGG MASON INC	USD	656 000	4 740	21.5	14.9	13.9				1%
FRANKLIN RESOURCES INC	USD	844 700	34 393	15.8	14.2	12.9	9.4	7.9	6.4	4%
INVESCO LTD	USD	745 500	14 958	16.0	13.8	12.2				2%
WADDELL & REED FINANCIAL	USD	113 744	5 587	23.0	18.7	16.3				5%
JANUS CAPITAL GROUP INC	USD	166 700	2 010	17.8	14.7	13.0				1%
T ROWE PRICE GROUP INC	USD	647 200	20 987	21.0	18.9	17.1	11.2	10.0	8.9	3%
EATON VANCE CORP	USD	268 755	5 210	19.4	16.8	15.3	10.4	9.3		2%
FEDERATED INVESTORS INC	USD	366 715	2 864	17.8	16.1	14.1				1%
OCH-ZIFF CAPITAL MANAGEMENT	USD		6 054	9.2	9.8	9.2				
QUERCUS TFI	PLN	4 022	573	14.3			11.4			14%
Median				**16,0**	**14.5**	**12.9**	**11.7**	**9.7**	**8.9**	**3%**
PEM	PLN	1 051	105	**2.2**	**7.2**	**5.3**	**0.9**	**7.8**	**4.8**	**10%**
Premium/discount to average (%)				-86%	-50%	-59%	-93%	-19%	-46%	

Source: Bloomberg. Noble Securities. as on 26.11.2013; Result of Quercus TFI - forecast of NS

COMPARATIVE METHOD VALUATION OF THE ASSETS OF MCI

Assets owned by MCI are valuated at book value, which should reflect their par value. History (stock market boom in 2006-2007) shows however, that in some periods the valuation of assets can be at a premium to the book valuation. Below you can find P/BV valuation indicators of selected European PE companies. **The presented analysis makes us exclude the premiums in the valuation of MCI assets. Based on our forecast for the years 2013-2015, we valuate the company using the comparative method at 13.5 PLN per share.**

Indicators of the comparative valuation for selected European public listed Private Equity companies

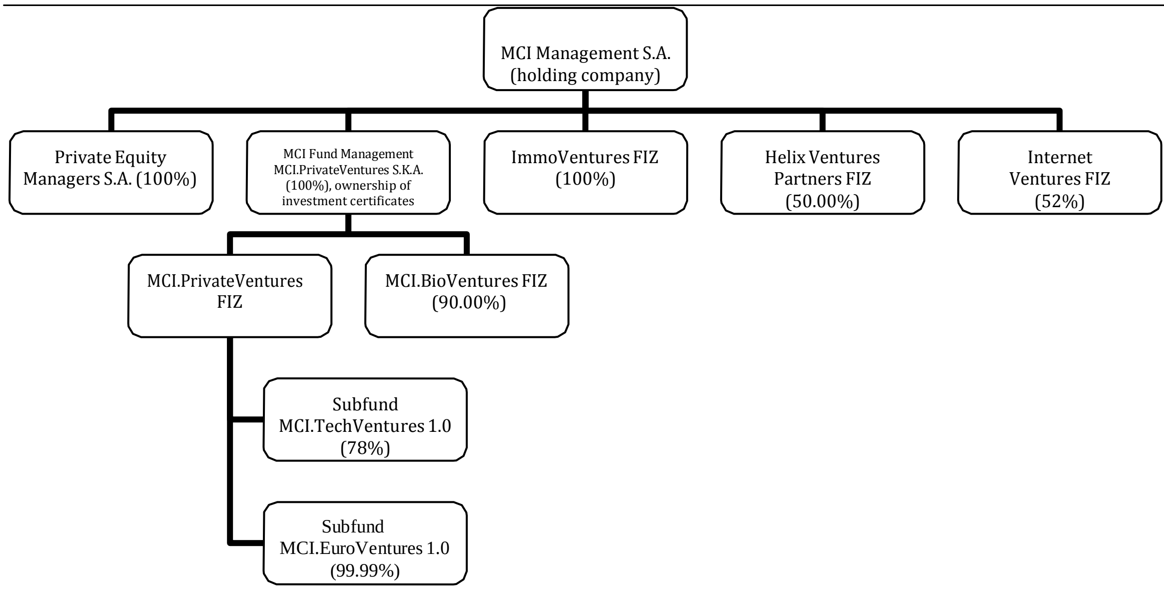
Company	Currency	Capitalization (million)	P/BV (x)		
			2013F	2014F	2015F
3I GROUP PLC	GBP	3 468	1.1	1.0	0.9
GIMV NV	EUR	915	0.9	0.9	
EURAZEO	EUR	3 647	1.0	1.0	1.0
DEUTSCHE BETEILIGUNGS AG	EUR	272	1.0	0.9	
Average			**1,00**	**0.96**	**0.91**
MCI Management	PLN	641	0.82	0.73	0.64
Premium/discount to average (%)			-18%	-25%	-29%
Implied par value of MCI Management	PLN		12.4	13.5	14.5
Implied par value of MCI Management	PLN			**13.5**	

Source: Bloomberg, Noble Securities, as on 26.11.2013

COMPANY DESCRIPTION AND OPERATING MODEL

The company was founded in 1999 and 2 years later made its debut on the Warsaw Stock Exchange. In the year 2007, MCI Capital TFI S.A. was founded in the operating model of the company was systematically transformed to the form in which it operates today. In this model, MCI Management S.A. is a holding company and the activities connected with asset management are focused in the Private Equity Managers S.A. group (PEM), which is the parent company to MCI Capital TFI. MCI capital TFI manages assets gathered in closed-ended investment funds. This solution allows for effective asset management, the ability to raise funds from external investors through the issue of investment certificates and tax optimization. At the end of 3Q 2013, the value of assets under management of MCI was 1051 million PLN, and the value of equity was 747 million PLN. So far, the group executed a total of over 50 investment projects and nearly 30 full exits. In the period from 01.01.1999 to 30.09.2013, MCI generated an internal rate of return (net IRR) at the level of 19.8% and ranked among the leading European private equity funds. Below you can find information on the organizational structure and participation in the ownership of managed investment certificates.

Organizational structure of MCI Management S.A. CG



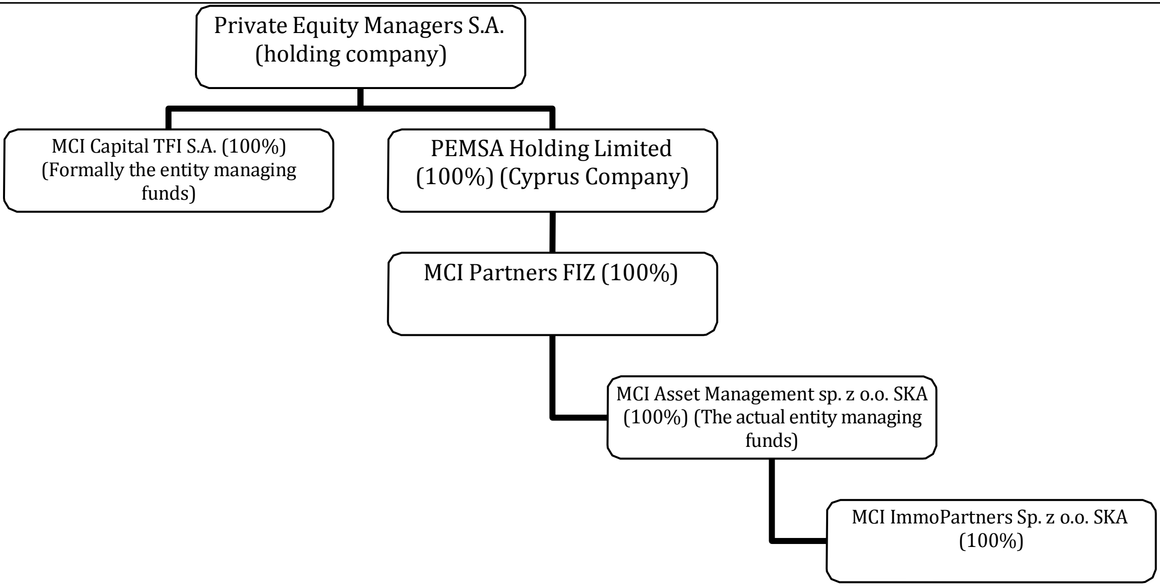
Source: MCI, Noble Securities

Private Equity Managers Group (PEM)

The Private Equity Managers Capital Group is consolidated since 3Q 2012. The board justifies recognizing the asset management company as a separate asset with the fact that management fees reduce the fund's net assets which should be neutral to the result from the point of view the entire capital group. Because these assets remain in the group and maybe allocated for further investment their exclusion would lower the value of assets. On the other hand, one can ask whether considering this asset as a cash-making entity does not overestimate the value of assets. This is not the case when we assume that ultimately the company will go public, its value then regulated by the market and verified, and the stake of MCI in the company will be reduced. This company will be connected with MCI only through the person of the majority shareholder, who will also be the majority shareholder in PEM. Separating investment activity and the need to provide security for potential future investors of PEM made the company sign an agreement, safeguarded by severe penalties, concerning maintaining the current level of fees in the coming years and obliging MCI to entrust its assets to be managed by PEM.

The PEM Capital Group in addition to the parent company also includes MCI Capital TFI, MCI Asset Management (sp. z o.o. and SKA), ImmoPartners (sp. z o.o. and SKA), MCI.Partners FIZ and the Cyprus Company (PEMSA Holding Limited). Below you can find an illustration of the organizational structure of PEM.

Organizational structure of PEM

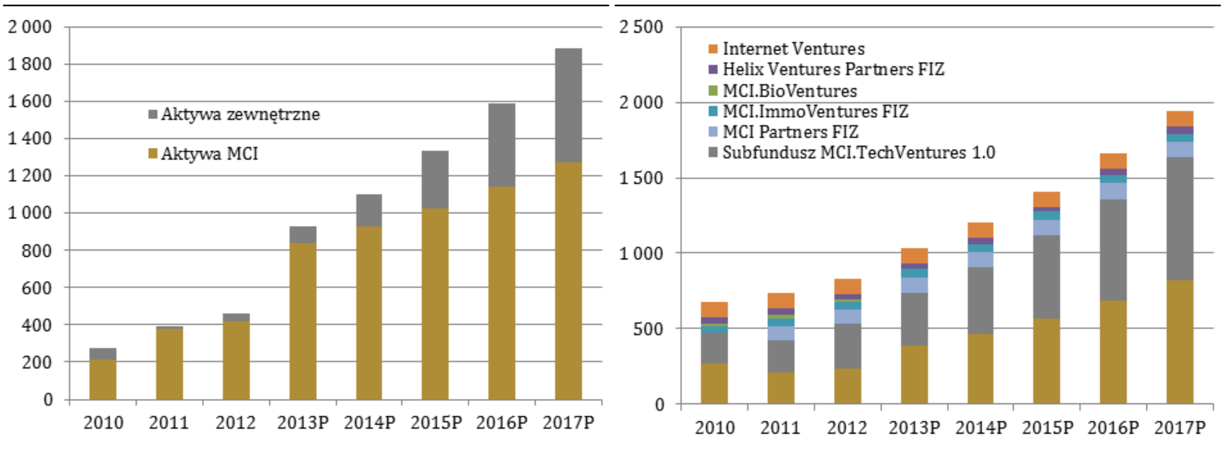


Source: MCI, Noble Securities

The organizational structure is aimed at full tax optimization. In the future taxes will only be paid by the shareholders of PEM at the moment of receiving dividends or recording capital profits on investment.

Below you can find a summary of net assets allocated in the investment funds managed by the company. **At the end of 3Q 2013, certificates worth 844 million PLN where held by the company, the remaining 88 million PLN are external assets. The value of assets under management was 1.05 billion PLN.** According to our estimates assets under management at the end of 2013 will be similar to this level and net asset value (NAV) will exceed the levels seen at the end of 3Q 2013 (747 million PLN) and will amount to 718 million PLN. Below you can find the evolutionary changes in assets under management of PEM according to each fund. In case of funds managed in cooperation with the national capital fund, the company collects management fees on the entire commitment of investors, despite the value of issued certificates is visibly lower. In case of Helix Ventures Partners, it is 40 million PLN (vs. 17.2 million PLN under management) and in case of Internet Ventures 100 million PLN (vs. 3 million PLN under management).

Assets under management of PEM



Source: MCI, Noble Securities

OTHER PORTFOLIO COMPANIES

Public listed companies in the portfolio are valuated at share price. Nonpublic companies are valuated at purchase price for 12 months after acquisition and then adjusted up or down using mainly indicator methods compared to listed companies or transaction prices. Additionally the valuation features a discount for the lack of liquidity. The valuations are verified by Ernst & Young Audit and the depositary.

ABC Data

Company activities

ABC Data is concerned with distribution of IT equipment thus becoming the link between manufacturers and the broadly understood resellers (including small traditional resellers, retail chains and larger system integrators). According to the board, the current offer of 280 supplies including leading equipment manufacturers like HP, Dell, Fujitsu, Asus, Acer, Lenovo, Toshiba, Apple, MSI, Samsung and Sony, is the largest on the Polish market. The most dynamically changing group of products in terms of total sales is phones, the share of which grew from 2011 to the year 2012 from one to 14% total sales. In our opinion, this is connected on one hand with changes on the consumer side (growth of the smartphone market), and on the other side smartphones being relatively small and expensive devices are subject to exports. ABC Data pays much attention to developing its online customer service system, InterLink, which currently handles over 90% of the company's orders. It enables comprehensive transaction handling, including placing orders, stop keeping, delivery management and control of payments. The reason behind the growth in sales and profits in the recent years is predominantly the dynamically growing export, which grew from 17.9% in 2010 to 20.2% in 2011 and 54.3% in the year 2012. In 3Q 2013, the share of exports in total sales was already 49.6%.

Results forecast for 2013 and the growth prospects in the coming years

The company presented good results for 3Q 2013. Sales were 1.21 billion PLN (+35.9% y/y). The company managed to improve gross margin by 28 base points from 4.17% in 3Q 2012 to 4.45%, with higher exports, which is a good forecast for the future. Additionally, with the reduction of SG&A costs in relation to revenue, the company recorded impressive results dynamics on EBITDA level of 19.5 million PLN (+105% y/y) and net profit 14.2 million PLN (+184% y/y). Revenues on the Polish market in 3Q 2013 were 601 million PLN (+3.8% y/y). The main driver of revenues in 3Q 2013 was similarly to other quarters export sales which amounted to 601.3 million PLN (+98.3% y/y), which already accounts for 49.6% of turnover. Thanks to very good financial results and improvements in working capital management, the company managed to earn 20.9 million PLN in operating cash. On average, in the period 1-3Q 2013, the cash conversion cycle shortened by 3.3 days from 34.5 in the respective period of the previous year to 31.2 days this year. In September, the company raised its financial forecast published in May, raising the revenue forecasts by 15.6% to 4.9 billion PLN and EBITDA by 13.4% to 80.2 million PLN. After 1-3Q 2013, the company managed to realize 70.4% of the forecast revenues and 64% of the forecast EBITDA profit. We believe that the forecast will be fulfilled and even perhaps somewhat exceeded. **The main factors for sales and results growth in the coming years is the further intensive development of exports, the development of the company's private label, entering the distribution market for games (including publishing activity), home appliances and electronics and the development of the marketplace platform.** All of this makes us conclude that the company will continue to grow at a two-digit rate and with the economies of scale and by stopping margin erosion on sales; it should improve its profitability on EBITDA and net profit levels. **In our opinion, the expectations of the Board of MCI concerning three-digit EBITDA profit in the company in the year 2014 are real.**

Market and competition

According to IDC estimates, the value of the Polish IT market at the end of 2012 was 34 billion PLN, which implies average annual growth in the years 2001-2012 of 9.7%. On the other hand, according to forecasts of CompaniesandMarkets.com, the Polish IT hardware market will grow in the years 2011-2014 at the rate of about 7.7% per year. The largest segment on the Polish market is equipment, which at the end of 2011 was worth 17.9 billion PLN (57% of the whole market). ABC Data is one of the largest distributors of IT equipment in the CEE region. The company's main competitors in Poland are AB, Action and Tech Data Polska. ABC Data, Action and AB took respectively first, second and fourth place in the 2013 edition of the Computerworld Top 200 ranking in terms of revenue on IT equipment in 2012. According to financial statements in our possession, Tech Data recorded 1.57 billion PLN revenues in the financial year (1 February 2011 - 31 January 2012).

There are some significant differences between the main competitors (ABC, AB and Action):

- **Gross profitability on sales**, the lowest is in AB – 3.9% in 3Q2013, medium in ABC Data – 4.5% in 3Q2013 and the highest in Action – 6%. The highest margin in Action is mainly connected with its strongest private label (Active Jet), which increases the profitability of the company.
- **Cash conversion cycle (as on 3Q2013),** despite the longest stock and receivables cycle, Action, with the longest rotation of trade payables has the shortest cash conversion cycle, ABC Data despite the shortest payables cycle benefits from the shorter rotation of stock and receivables.

days	ABC Data	AB	Action
Stock rotation	25	31	33
Receivables rotation	30	39	41
Payables rotation	26	34	56
Cash conversion cycle	28	36	17

Source: the companies, Noble Securities

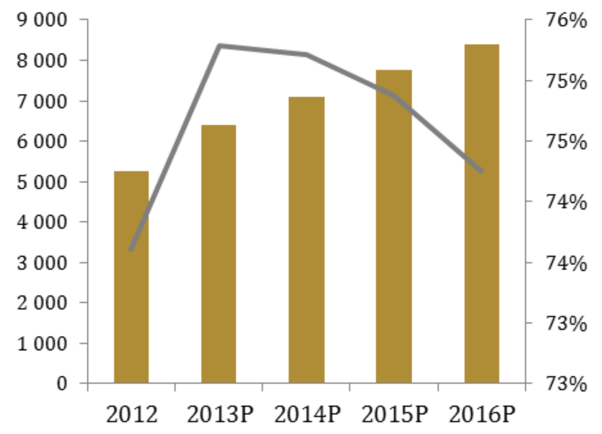
Exit potential
On 27 July, MCI Management informed about signing an agreement with financial advisors, Jefferies Bank, for strategic analysis of further development options and expansion of ABC Data, to which the general assembly agreed to earlier on 10 June. According to information released in October, ABC Data has already held a series of meetings with investors, both potential strategic investors and financial investors who expressed their initial interest in the company; a selected few will be invited to further talks in the so-called data room. At the time of presentation of the results for 3Q 2013, the board decided that MCI Management will not push to seek a strategic investor. Among potential strategic investors who could be interested in buying ABC Data and have the necessary financial background are first of all the leading global (including European) IT distributors, the companies Tech Data and Ingram Micro. Tech Data operates on the Polish market where it is the fourth largest distributor (after ABC Data, AB and Action) with revenues of over 1.5 billion PLN. Ingram Micro tried to gain a significant position in Poland at the beginning of the last decade, however after two years of operation in November 2002 informed that it is winding down because it did not reach "critical mass." Last year also saw information that perhaps Tech Data will also terminate its operations in Poland. On the other hand, the position of business advisor to the board at Tech Data Polska was taken by Andrzej Sobol, who used to be vice president and president of ABC Data for many years, which would suggest the intention to develop the company further. We are rather skeptical as to the sale of ABC Data to a strategic investor. We believe that foreign international corporations with branches in the given countries like Tech Data and Ingram Micro may not be interested to overtake the export activity of ABC Data, which in Q3 2013 was responsible for 50% of revenues of the company. We believe even a partial exit is more likely through the sale of shares to financial investors, benefiting from the good dynamics of the results and the current market conditions. The second-largest shareholder of ABC Data, Arthur Holding, chose to make a similar move on November 19, selling 11.09 million shares constituting 8.86% share capital in the company through package transactions. The shares were sold at 4.1 PLN, which means a 9.3% discount compared to the closing price from the previous day. **In our opinion, considering that financial liquidity in the group, such a transaction is to be expected in the nearest months. Additionally, MCI has the motivation to sell shares after 2014, because until that time it is obliged to pay a sweetener for Arthur Holding, in the amount of the difference between revenues from sale of ABC Data shares and the price of one share of 2.60 PLN. Besides, in connection with the development potential of ABC Data, MCI can easily wait a while longer.** The Board of ABC Data informed it sustained its current dividend policy and would recommend paying out a minimum 50% of annual profit for 2013.

Indeks

In May of this year, MCI Management through MCI point EuroVentures FIZ acquired 11.2 million shares of the company listed on the Istanbul Stock Exchange Indeks Bilgisayar Sistemleri Mühendislik Sanayi ve Ticaret A.Ş. (Indeks), giving it a 20% stake in the company. The seller of the shares was Erol Bilecik, founder of the company, who even after the transactions will remain the majority shareholder with a stake of 35.9%. The maximum share price was established at 4.35 TRY, but the final price will depend on the results Indeks generates in the years 2013 – 2014. The first tranche was paid in May 2013 at a significant discount compared to the listed share price. **According to information from the results presentation of MCI Management for 1H 2013, the value of investment was about 71 million PLN.** The average target price of the three recommendations issued since September 2013, according to Bloomberg is 5.15 TRY (vs. 3.86 TRY current share price). **According to Bloomberg forecasts, the EV/EBITDA indicators for 2014 will be 6.1x.**

Company activities
The Indeks Company is an IT distributor operating on the company's home market in Turkey. According to estimates of International Data Corporation, the value of the Turkish IT market will be nearly USD8.5 billion at the end of 2013, with 75% of that accounted to hardware. The largest segment of the Turkish IT market will grow according to IDC forecasts in the years 2013-2016 at an average rate of more than 7% per year. In the year 2012, Indeks was responsible for 20.9% of the hardware market making the company the largest distributor on the local market. Based on revenues recorded in 2010, Indeks was the seventh largest company from the broadly understood ICT sector operating on the Turkish market, right after Turkish Telecom and Vodafone. **The premises for the investment by MCI in the company were good growth prospects on the Turkish market, exposure to the dynamic development of e-commerce and strong market position of the company in addition to a plot of land in the center of Istanbul that in the perspective of three years should earn the company USD70 million in profit. The board of MCI expects returns on the investment in Indeks similar to the returns on the investment in ABC Data.**

Size of the Turkish IT equipment market in USD billion (left scale) and its share in the whole IT market (right scale)

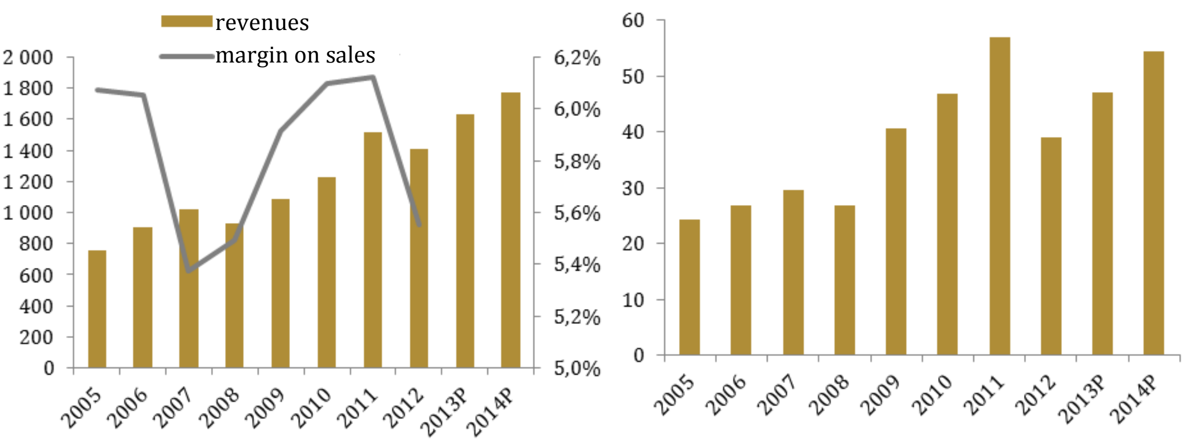


Source: IDC, Turkey IT Expenditures Research

Financial results

Revenues of the company in the period 2002-2012 grew from 457 million to 1.41 billion TRY, i.e. average annual growth rate of 11.9%. Revenues decreased in 2012, compared year-to-year, mainly due to the change in structure of distributed products an insufficient adjustment of the offer market changes (insufficient offer of tablets and smartphones). The company generates most of its sales on the domestic Turkish market. The share of exports in sales was 0.6% in 2012. Gross margin on sales is slightly higher than on the Polish market and oscillates around 5.5-6.1%. Net profit in recent years, similarly to 1H 2013, is encumbered with the loss on exchange rate differences (TRY growing weaker to the USD). The results of the company are improving in an annual comparison. Revenues for 1-3Q 2013 were over 1.1 billion TRY (+20% y/y), EBITDA was 34.4 billion TRY (+36% y/y). The growth in revenues resulted from expanding the offer of telecommunications equipment and tablets by signing a distribution agreement with Apple. In the year 2013, this agreement will bring in an additional 250 million TRY in revenues. At the end of 2Q 2013, the net debt of the company was 100.7 million TRY. The cash conversion cycle at the end of 2Q 2013 was 19 days (79 days – receivables rotation, 29 days – stock rotation, 89 days - payables rotation) and was four days longer than at the end of 2012.

Revenues, gross margin (left scale) and EBITDA in million TRY



Source: the company, Bloomberg (forecasts), Noble Securities

Land in Istanbul for commercial project

An important asset of the company is the plot in the Ayazaga district of Istanbul, where starting 1Q 2014, a business/office–residential complex will be built. Index, through its subsidiary company Teklos, will execute the project in partnership with Seba Construction. Teklos has 46.5% shares in the newly established target vehicle company and it will receive this proportion of revenues from the project in exchange for contributing the land. Construction will take three years, during which the project should generate about USD70 million in profits for Indeks.

Invia.cz

The company operates in the e-travel industry, offering holiday packages, hotel bookings and flights. The company controls 60% of the online travel market in Czech Republic and Slovakia. In 2011, the company acquired Travelplanet from MCI, and in the second half of 2002, it began its expansion to the Russian market by investing USD5 million in Travelata.ru. In the second half of 2013, MCI executed partial recapitalization and exit from the company – the Mezzanine Capital III fund acquired a share package worth 14 million PLN and provided the company with debt financing for the further development of Travelata.ru. According to our estimates, at the end of first half 2013, MCI evaluated the whole Invia.cz company at 120-130 million PLN, which considering the sales and EBITDA forecast for the year 2015 of 12.5 and 2.8 million euro, respectively, implies P/S valuation at the level of 2.3-2.5 and P/EBITDA 10.3-11.1. As a comparison, the American giant Priceline.com is valuated at USD59 million, which implies for 2014 indicators EV/sales 6.6x and EV/EBITDA 16.8x. The value of investment attributable to MCI was 90 million PLN at the end of 1H 2013.

KupiVIP Holding

The company was founded in 2008 and MCI invested in it in 2012. KupiVIP Holding operates the website KupiVip.ru which is the largest online shopping club on the Russian market. In addition, the company also operates an online boutique and a special e-commerce platform providing ready-made solutions for fashion brand manufacturers concerning creation of dedicated online shops. In 1H 2013, the company recorded net sales growth of about 17% y/y and improvement of EBITDA by over 24% y/y. MCI does not publish the company's financial results. The value of investment attributable to MCI at the end of 1H 2013 was 42 million PLN.

Windeln.de

Windeln.de was founded in 2010 and it is the largest online store offering daily use baby products in Germany. The online vendor offers over 20,000 products from 300 brands that young parents can order from the convenience of their home. MCI invested in the company in 2012 in the third round of financing. Entry to the German e-commerce market was the result of the fund not being able to find a comparable investment project in terms of scale and growth potential in Poland. According to MCI forecasts from May 2013, Windeln.de should increase sales to EUR70.6 million in 2013 (vs. 27.1 million EUR in 2012). The value of investment attributable to MCI at the end of 1H 2013 was 32 million PLN.

Morele.net

The website is one of the leading Polish e-commerce companies in IT distribution and consumer electronics. The service was created in 2000. The fund invested in Morele.net in 2011. The company has a highly efficient logistics system, capable of handling over 100,000 people every day. The products are supplied among others by ABC Data. The company recorded 100 million PLN in profit in H1 2013 (growth by over 20% y/y) and to the end of the year 2015 revenues are to grow by 60% y/y. The value of investment attributable to MCI at the end of 1H 2013 was 25 million PLN.

Geewa

The company was founded in the year 2005 in the Czech Republic, it develops and distributes social online games through its own online platform (portfolio includes over 20 games) and since May 2009, offers online games on Facebook. The company is one of the leaders in its industry and invests to increase the scale of operations on the markets with above average revenues generated by gamers, as well as strengthening its own position on the online games market by entering the mobile games segment. The fund invested in the company in the year 2007. In the last quarters, employment in the company grew from 20 to 60 people in the company work intensified on new games hoping that one of them may become a hit similar to Clash of the Clans created by Supercell. The company Supercell grew from an unknown game producer to an entity valuated at over USD3 billion. The value of investment attributable to MCI at the end of 1H 2013 was 17 million PLN.

Frisco.pl

Frisco.pl is the leader of the Polish e-grocery market and the largest company in the segment with pure online distribution. The company, which was founded in 2006, can be distinguished for its state-of-the-art order completion center and the most advanced order processing system in Central Easter Europe. Unlike competitive systems, the completion process is highly scalable and ready to handle rapid increases in the number of orders. The fund invested in the company in 2012. Currently, the e-grocery shop operates only in and around Warsaw servicing over 4000 clients. This number is to increase twofold in a year's time. Ultimately, Frisco.pl should expand nationwide. The company's role model is the British Ocado.com listed on the London Stock Exchange and valuated at 2.5 billion GBP, implying 2014 factors of EV/Sales 2.7x and EBITDA 35x. The value of the investment allocated in the TechVentures and HVP funds was 14.9 million PLN at the end of 1H 2013.

NaviExpert

The company founded in 2005 developed and marketed the first Polish GPS navigation system working on most modern mobile phones. The system offers all features of standard navigation and additional features available using online technology. Thanks to the unique Community Traffic™ technology (traffic evasion) and always up-to-date maps enables users to reach the destination 10-50% faster than using traditional navigation. Application also features push to talk enabling drivers to exchange information about speed traps, roadside controls, accidents or dangerous places. At the end of 2Q 2012, the number of users exceeded 1.6 million. The fund invested in the company in the year 2007.

Answear.com

The company was founded in 2011 by Krzysztof Bajołek and the team previously associated with Artman (brands House and Mohito) and LLP. The company offers over 200 fashion labels. The fund invested in the company in July 2013 by applying its experience in the e-commerce industry. The Western role model for the company is ASOS; a company listed on the London stock exchange, which records highest margins on private labels. ASOS is valuated at 4.8 billion GBP, implying 2014 indicators of EV/Sales 4,7x and EV/EBITDA 53x. Ultimately, answear.com will also have its private label. Currently, fashion e-commerce is about 20-25% of the whole e-commerce market. The board of MCI expects e-commerce to replace traditional retail even more in the coming years.

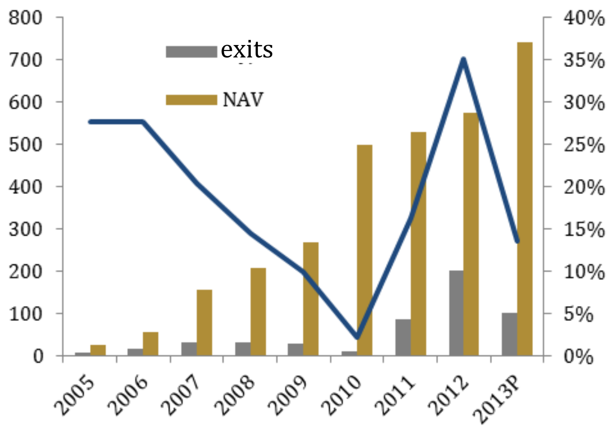
MCI.CreditVentures FIZ – Immoventures

It is a debenture fund transformed from a real estate fund, which was created at the end of 2010 by acquiring real-estate assets from President Tomasz Czechowicz for 42 million PLN. The acquisition was financed through the issue of MCI shares (at 7.53 PLN/share) under the target capital. At the end of 1H 2013, the value of the fund certificates was 54 million PLN, including the value of unsold real estate of about 25 million PLN; the remaining assets are cash and cash equivalents. This fund will be a source of financing among others (mezzanine and venture debt) for other funds managed by MCI and ultimately also external entities.

Exit history

In the years 2005-2012, MCI Management executed investment exits worth a total of 405.8 million PLN. Whereas in addition to the sale of assets exits also should be understood as receiving dividend from subsidiaries. The average annual level of exits is 19.1% of total net assets.

Net asset value and exits of MCI Management in PLN million



Source: the company, calculations of Noble Securities

Key investment exits in the years 2011-2013

entity	type of exit	amount (million PLN)	IRR	remarks
		2011		
ABC Data	post IPO	11	48.01%	4,5% held shares
JTT	Damages paid by National Treasury	46.4	-	
TravelPlanet	full exit (44%)	14.4	60%	Invia.cz
		2012		
Netretail (Mall.cz)	Full exit (18.2%)	165	174% (4.2x cash on cash)	Acquired by Naspers
ABC Data	Dividend for 2011	13		
MCICreditVenturesFIZ	sale of real estate	>20		
		2013		
Invia.cz	Sale of minority share package	14	n/a	
Invia.cz	Dividend for 2012	>12	-	Accession Mezzanine Capital III
ABC Data	Dividend for 2012	18.7		
Indeks	Dividend for 2012	5.4		

Source: the company, Noble Securities

The record-breaking exit level of 200.1 million PLN was recorded in the year 2012. The majority of this amount attributable to the largest disinvestment in the history of the company - the sale of 18.2% shares held in Netretail Company, the owner of the largest online store in CEE – Mall.cz. The shares were sold for EUR38.5 million (about 160-170 million PLN), 4.2x invested capital. Given its short investment horizon, the transaction implies IRR of 174%. The buyer was Naspers fund, already known for big transactions on the Polish market, among others acquisition of Gadu-Gadu and Allegro. In 2009, Napers through its subsidiary MIH Allegro B.V. (owner of Allegro.pl website) announced a successful call for the shares of Bankier.pl, another portfolio company of MCI Management. Apart from the sale of shares in Netretail, the main sources of exits are dividends from subsidiaries. In 2013, dividends came from ABC Data, Invia and this year's latest acquisition, the Turkish Indeks. This year, through a transaction interlinked with obtaining mezzanine financing, the fund also sold the minority share package in Invia for 14 million PLN (according to press reports) to the fund Accession Mezzanine Capital III. MCI still remains the majority shareholder in the company. The total value of exits this year exceeds 50 million PLN.

The Netretail exit transaction shows the scale of potential profits on well-placed investments. MCI Management invested in the minority share package over EUR9 million in two rounds of financing in 2010 and 2011. The online retailer Mall.cz managed to increase sales 2.5x in two years to the level of 171 million euro in 2011. Using the sale price of the share package we determined the implied value of the company (EV) at the level of EUR211 million. With the given revenue level, the EV/S indicator was 1.24x, relatively lower compared to large transactions from recent years, where buyers (Amazon, eBay) paid around 1.2-2.3x in acquisitions. The acquisition of Merlin by Empik, which was blocked by antitrust authorities, was supposed to take place at an even lower indicator (1.15x).

The company plans to realize at least 100 million PLN from investment exits per year. Companies with a high exit potential for the years 2014-2015 include ABC Data, PEM, Morele.net, Invia, Geewa, Frisco.pl and eBroker.pl. The exit from Private Equity Managers is to be carried out through an IPO in 2014, ultimately separating the managing entity from the capital group. In case of ABC Data, in our opinion, the most probable is a partial exit through the stock exchange (the exit potential of ABC Data is covered more thoroughly in the part concerning the company). In addition to the sale of shares/stock, the company can still collect dividends from more mature projects - ABC Data, Indeks or Invia.

COOPERATION WITH NCF

In cooperation with the National Capital Fund, MCI Management created two funds with a total maximum commitment level of 140 million PLN. They are Helix Ventures Partners (40 million PLN) and Internet Ventures (100 million PLN). Dealer established in 2009 and 2010 respectively. The fixed management fees in those funds look slightly different then in classic funds. In the case of Helix Ventures, the amount of the fixed fee is determined for individual years of the fund's operation. The size of investments is limited to EUR1.5 million, thus often being seed capital. It is worth mentioning that in 2012, the Internet Ventures fund had undergone transformation, because the second manager and investor (IIF) left the fund, therefore limiting its activities. Considering exit opportunities significantly exceeding 50 million PLN per year (only dividends from subsidiaries may exceed this amount in 2013) in our opinion, these funds are of marginal character compared to the entire company.

FINANCING

MCI Management finances its investment activity mainly with its own assets, but also with the financing in the form of bonds at the holding company level. The company has issued bonds since 2004. At the end of 3Q 2013, the company recorded payables resulting from three series of bonds for the amount of 91.1 million PLN, including 54 million PLN in long-term payables. Additionally, the company uses external debt financing at the level of closed-end investment funds. At the end of the first half of 2013, the subfund MCI.EuroVentures 1.0 reported a loan of net 55.2 million PLN denominated in euro in Alior Bank. At the end of September 2013, PEM also informed about signing a loan agreement with Alior Bank for 40 million PLN to repurchase and redeem own shares from MCI.

Liquidity management in the capital group is done mainly by issuing bills of exchange or bonds taken up by individual entities.

Current and potential sources of liquidity are estimated by the board at about 250 million PLN. They include:

- cash in bank accounts - at the end of 3Q 2013, cash and cash equivalents were 52 million PLN, additionally this amount will increase by over 40 million PLN when PEM receives management fees and success fees for the year 2013.
- possibility to issue convertible bonds for the amount of 50 million PLN to the end of 2015,
- promissory notes for loans in banks, including the loan of 14 million PLN in Alior Bank awarded to PEM for the repurchase of own shares from MCI Management.

INVESTMENT FOCUS AREAS

The board of MCI mentions several key investment areas, which the company is focusing on:

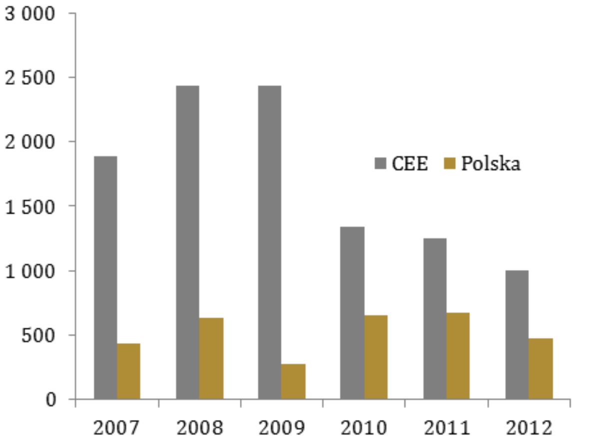
1. **Payments** – an area complementary to e-commerce. The growth of online trade and growing number of mobile users must be followed by development of easy and secure payment systems. The global value of mobile transactions is said to rise from USD171 billion in 2012 two USD472 billion in the year 2015.
2. **Big Data** – the market for large volume data processing is growing on average by 40% per year and its value is said to grow from USD10 billion in 2012 to USD48 billion in 2015.
3. **Internet of Things –** the fast development of this market is connected with the dynamic growth of the global number of Internet enabled devices and equipment, which is said to grow in the year 2020 to 50 billion devices compared to 8.7 billion devices in 2012.
4. **Market place** – the dynamic growth of e-commerce will foster the development of marketplace platforms.

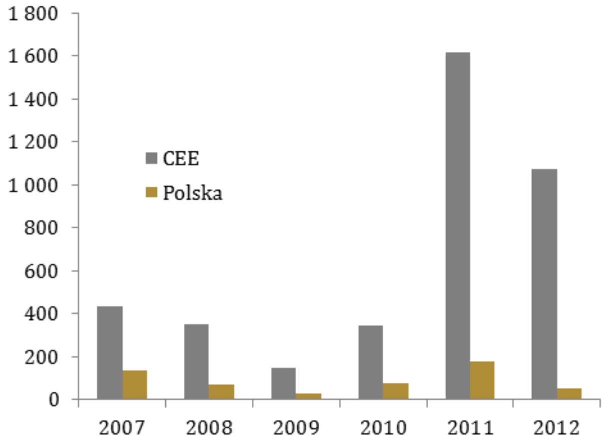
PRIVATE EQUITY MARKET IN POLAND AND THE REGION

Currently, the Polish Private Equity and Venture Capital Association (PSIK), gathering private equity/venture capital funds has 45 registered entities (including MCI Management). The majority of associated funds have their physical offices located in Poland, however they also include entities conducting investment activities from offices located abroad, mainly London. Because of the fact that the average value of transactions concluded in Poland is rather small when compared with say Western Europe, the funds operating in Poland are mainly midmarket type funds investing in a single transaction between EUR2-100 million (so called equity ticket). Funds with a higher equity ticket may find some problems locating their equity in Poland, e.g. the EQT Partners fund changed the strategy from the previously estimated minimum EUR100 million in a single transaction to the level of EUR25-75 million. The largest international funds only participate in the largest transactions in the market connected with companies like Alior Bank, Polkomtel or Multimedia Polska.

Poland is the largest market for PE funds in the region of Central Eastern Europe. In the last three years, investments in Poland represented nearly 50% of all investments in Central Eastern Europe. On a nominal level, the value of assets invested in Poland in 2012 was EUR478 million (with slightly above EUR1 billion in the whole region). The years 2007-2009 were when the number of investments was growing. In the years 2011-2012, the number of funds exiting their investments increased. In the year 2012, Poland was the fourth largest market in Central Eastern Europe in this respect. The largest transaction of this type in Poland last year was the sale of Lux-Med by the fund Mid Europa Partners to the Romanian Bupa Group for EUR400 million. This year, PE funds are a stimulus for the IPO market in Europe. According to reports by PWC – IPO Watch Europe, 6 out of 10 largest European IPOs executed in the first three quarters of 2012 were exits of these funds through the stock exchange.

Investments (left) and exits (at historic investment cost) of PE funds in Poland and the CEE region (billion EUR)

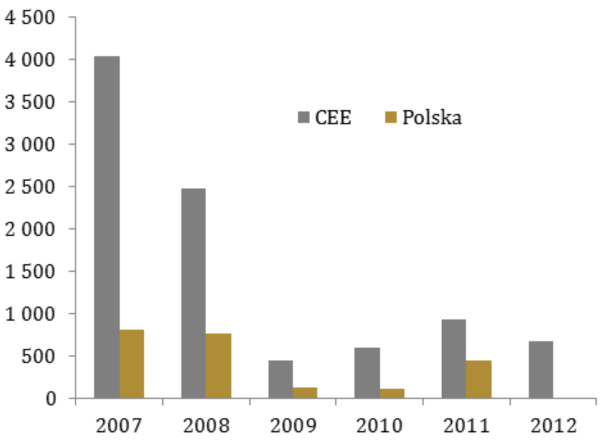


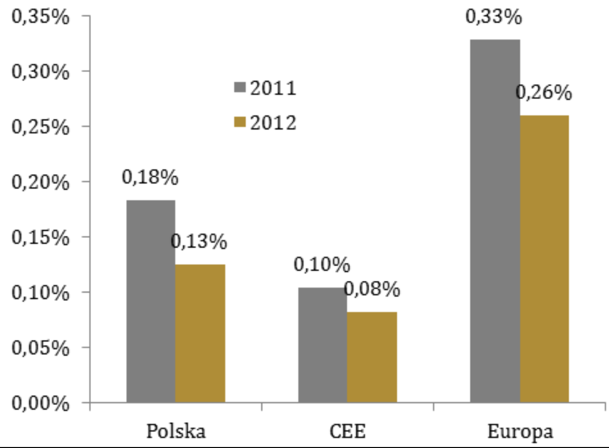


Source: EVCA

The reduction of investments after the year 2009 is clearly visible. The reduction is a delayed reaction to the significant decrease in the amount of capital raised by the funds after the financial crisis. The main source of fundraising is government agencies and funds of funds, with the majority of assets coming from Western Europe. The size of PE investments in relation to the size of the Polish economy is 0.15% and is 0.05 percentage points higher than the average for the region (third place after Bulgaria and Slovakia); on the other hand, it is twice lower than the average for Europe, which was 0.26% in 2012.

Assets raised by PE funds (billion EUR, left) and the relation of PE investments to GDP

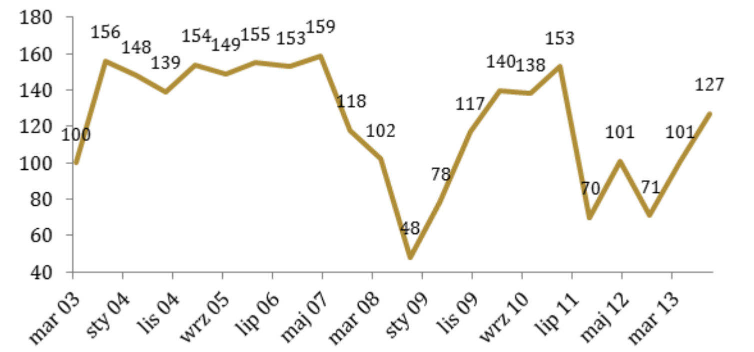




Source: EVCA

The industry trust index shows an improvement in the sentiments of fund managers. Nearly half of them expect the general economic climate to improve and the remaining part believe that the condition of the Polish economy will not change significantly. The majority of funds intend to focus their time and energy on seeking new investments, which also indicates rising moods.

Central Europe PE Confidence Index

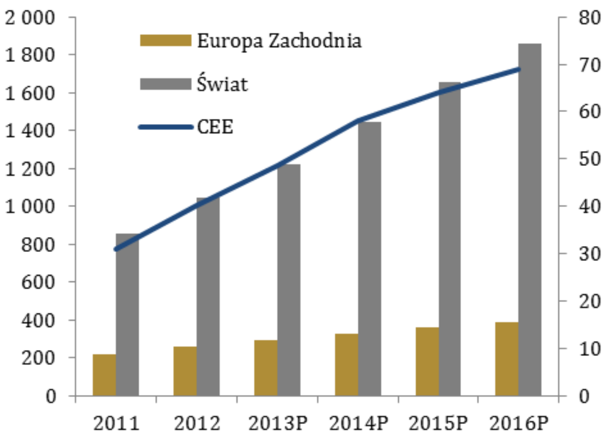


Source: Deloitte, Central Europe Private Equity confidence survey

E-COMMERCE MARKET IN POLAND AND THE WORLD

In the year 2012, the size of the global e-commerce market exceeded USD1 trillion. According to forecasts of eMarketer, it will reach USD1.9 trillion by the year 2016. The main driving force for the global market is the growth of online trade in Asia. The markets in Central Eastern Europe are also expected to grow, where eMarketer estimates CAGR in the years 2013-2016 at 14.4%.

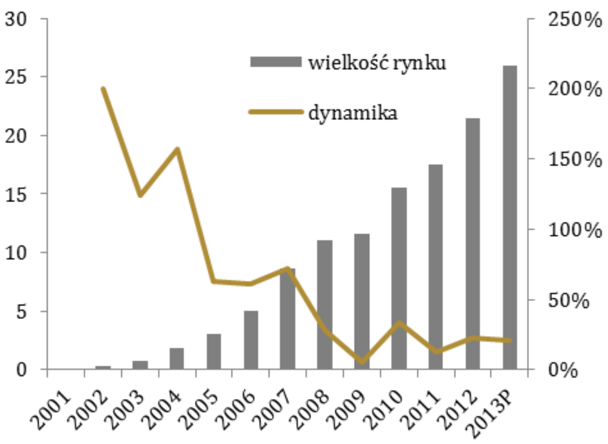
The value of global in the European e-commerce market in billion USD (CEE is on the right scale)



Source: eMarketer

The history of the Polish e-commerce market goes back to the 1990s - in the year 1994 the first typical online stores were open. Currently, the Polish e-commerce market is worth according to various estimates between 19 and 23 billion PLN.

Size of the Polish e-commerce market in billion PLN and its annual growth dynamics



Source: Polskie Badania Internetu, declarations of Noble Securities

The time of dynamic growth was in the years 2001-2004 - the annual growth dynamics then saw three digit values, which was mainly the result of the popularization of Internet in Polish households. The following years saw a significant drop in growth rates; however, those growth rates were and still are, excluding the year 2009, in the two-digit range. According to estimates of TBI, the Polish e-commerce market has a chance to grow by over 20% in 2013, which will be one of the highest results in Europe. During 2006-2012, the number of online shops in Poland grew more than fourfold, from 2.8k in 2006 to 12.1k in 2012. At the same time, with the growth of online shops their revenue structure is changing. More and more online shops (over 40% in 2012) are small businesses generating less than 10,000 PLN monthly turnovers. Relatively more shops, especially those with low turnover, generate losses, thus we expect that in the coming years will see consolidation processes.

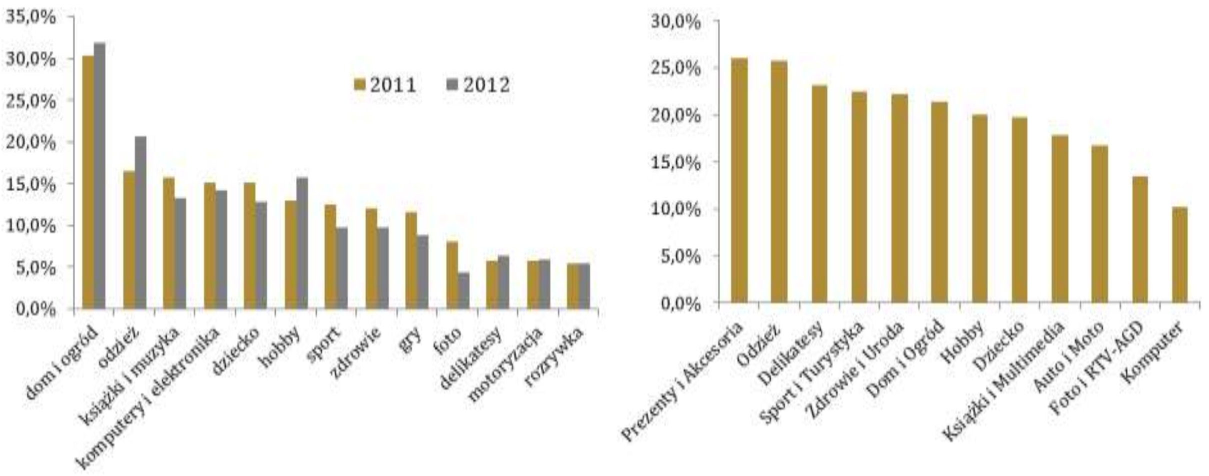
An important indicator describing the development of e-commerce in the given country is comparing it to size of retail sales in general. In Poland in 2010, this indicator was 2.5% and was nearly 60% lower than the average for 11 European countries. According to PBI data in 2012, the share was already 3.8%.

Share of online sales in the total volume of retail sales in 11 European countries in 2010

Source: Centre for Retail Research

The largest number of online stores in Poland is still classified in the segment "home and garden." The largest dynamics of new online stores, according to the report of eHandel Polska, is recorded by e-groceries (17% growth), clothing and shoes with 14% growth. Despite the growing number of shops, the e-grocery market has still a large value of growth potential. According to the report of Internet Standard, the size of the Polish e-grocery market was about 200 million PLN in the year 2012, comprising only about 0.1% of the Polish food market, while in Western Europe this indicator oscillates around 1.5%. According to PMR estimates, the value of the online grocery market could grow to 450 million PLN by the end of 2014. The spread of sales margins, depending on segment is about 15% - from 10% on computers to over 25% on gifts, clothing and accessories. In total, the average sales margin is 21.7%.

Polish shops according to segment and margin (right)



Source: eCommerceStandard, O krok przed konkurencją; sklepy24.pl

MAIN RISK FACTORS

Risk connected with the stock market situation – the largest investment in the portfolio of MCI is ABC Data (about 360 million PLN). These large investments also include the Turkish Indeks (about 65 million PLN). They are public listed companies, so their stock exchange valuations have an impact on the financial results and the valuation of MCI, therefore deterioration of the stock market situation could have a negative impact on the valuation of the portfolio investments of MCI.

Investment concentration risk – the three largest investments (excluding PEM) constitute more than 60% of the portfolio, the company aims to increase its portfolio diversification, so that a single investment does not exceed 20% of assets. In order to achieve that, the company has to make, among others, a successful exit (partial or full) from ABC Data.

Risk of low liquidity of many investments – despite some investments (ABC Data, Indeks) which are public listed companies, the liquidity of their shares remains low however, in the context of share packages held by MCI; the liquidity of investments on the nonpublic market is even lower.

Risk of disputes, legal interpretations of tax issues and others – directly or indirectly MCI is a party to disputes and due to tax optimization takes a range of action to defer payment of tax, which is connected with the potential risk of funds having to leave the company:

- **Dispute with Anna Hejka** – the former member of the board of MCI claims 15.8 million PLN in damages from the company (previously 30 million PLN), according to the Board of MCI this claim is completely unjustified; considering the salaries of the board of MCI, including the share incentive program at the time when Ms. Hejka was a member of the board (2007-2008) and in the recent years, her claim does seem to be unjustified,
- **The final stage of the dispute with the national treasury concerning JTT** – The Treasury appealed to the Supreme Court filing a cassation complaint against the last judgment of the Court of Appeals in Wroclaw in connection with the payment of compensation to the company JTT (46.6 million PLN including statutory interest), we do not know how the action will be resolved, but in our opinion, the probability of it being to the detriment of the company is negligible,
- **The matter of penalties imposed by PFSA** – total of 450k PLN, the appeal proceedings have not yet been completed,
- **Disputable VAT** – 1 million PLN plus statutory interest since 2007, the company filed an appeal with the Director of the Tax Office in Warsaw,
- **Changes in the taxation for limited joint stock companies** and the necessity to find an alternative solution to defer income tax on operating activities conducted in PEM group after 2015.

Risk of transactions with affiliated entities – AIP connected through the person of the president, Mr. Czechowicz, who is also the main shareholder of MCI concludes a series of transactions with the company or the investment funds it manages, mainly of liquidity character, but also acquisition and sale of assets (previously for example real estate and in the future probably the acquisition of shares in PEM). These transactions are executed at market conditions and are disclosed in the financial statements. Because we assume that the main asset for AIP are the shares of MCI and the board of the company is motivated with stock option programs, it seems the incentive to build the value of the company is high. Therefore, we believe that the risk of transactions with affiliated entities that are unfavorable from the viewpoint of minority shareholders is negligible.

Profit and Loss	2010	2011	2012	2013F	2014F	2015F
Revenue from sales	**12**	**34**	**32**	**65**	**33**	**39**
Other revenue and operating costs	163	22	23	164	90	101
EBIT	**164**	**15**	**45**	**216**	**106**	**122**
Net costs and financial revenue	-8	10	-8	-8	-5	-5
Profit before tax	156	24	37	208	101	118
Income tax	-1	-7	5	0	0	0
Minority share	0	0	0	0	0	0
Net profit per one share of the parent company	**156**	**17**	**41**	**208**	**101**	**118**
EBITDA	**164**	**15**	**45**	**216**	**106**	**122**

Source: the company, Noble Securities

Balance sheet	2010	2011	2012	2013F	2014F	2015F
Assets	**635**	**641**	**780**	**958**	**1 059**	**1 177**
Fixed assets	**592**	**561**	**663**	**847**	**918**	**1 018**
Tangible fixed assets	0	0	0	0	0	0
Value of the company	0	0	86	86	86	86
Assets from deferred income tax	6	4	7	7	7	7
Other financial assets	471	496	568	752	823	923
Other fixed assets	115	61	1	1	1	1
Working assets	**43**	**80**	**117**	**111**	**141**	**159**
Receivables	8	14	75	17	17	17
Cash and cash equivalents	20	25	34	67	98	115
Other working assets	15	40	7	26	26	26
Total equity	**498**	**526**	**572**	**780**	**881**	**999**
Long-term liabilities	**118**	**61**	**37**	**92**	**92**	**92**
Bonds	63	58	35	90	90	90
Others	55	3	2	2	2	2
Short-term liabilities	**19**	**54**	**170**	**86**	**86**	**86**
Bonds	0	28	28	0	0	0
Liabilities for supplies, services and others	0	13	100	8	8	8
Bills of exchange liabilities	0	0	29	65	65	65
Short-term provision	0	11	12	12	12	12
Others	19	2	0	0	0	0

Source: the company, Noble Securities

Cash flow	2010	2011	2012	2013F	2014F	2015F
Operating CF	**-5**	**47**	**17**	**30**	**42**	**29**
Settlements first short-term securities	0	16	128	57	0	0
Bill of expense expenditure	0	0	-125	-8	0	0
Bonds expenditure	0	-18	-5	0	0	0
Other	0	-28	4	-74	0	0
Investment CF	**0**	**-68**	**-15**	**-27**	**-4**	**-4**
Changes in interest-bearing debt	28	35	-50	63	0	0
Interest	-6	-7	-9	-9	-7	-7
Dividend and other payouts for owners	0	0	0	0	0	0
Others	0	-2	44	-24	0	0
Financial CF	**23**	**26**	**-15**	**30**	**-7**	**-7**
State of assets at the beginning of period	1	20	48	34	67	98
State of assets at the end of period	20	25	34	67	98	115

Source: the company, Noble Securities

Selected indicators	2010	2011	2012	2013F	2014F	2015F
Net debt	29	20	22	-4	-34	-52
Net debt /BV	6%	4%	4%	-1%	-4%	-5%
Number of shares	47,4	62,0	62,4	62,4	62,4	62,4
P/BV	1,0	1,2	1,1	0,8	0,7	0,6

Source: the company, Noble Securities

EXPLANATION OF INDUSTRY TERMS IN THESE TYPES OF REPORTS, BRIEFS AND RECOMMENDATIONS ISSUED BY NOBLE SECURITIES S.A.

BV –book value
EV – market valuation of the company increased by the value of the interest-bearing net debt
EBIT – earnings before deducting interest and taxes
CF (CFO) – cash flows from operating activities
NOPAT – net operating profit after tax
EBITDA – earnings before interest, taxes, depreciation and amortization
EBITDAA – EBITDA adjusted for changes in portfolio par value
EPS –net profit attributable to one share
DPS –dividend uncharitable to one share
P/E – ratio of the share price to the net profit attributable to one share
P/EBIT – ratio of the share price to the operating profit attributable to one
P/EBITDA –ratio of the share price to the operating profit increased by depreciation attributable to one share
P/BV – ratio of the share price to book value attributable to one share
EV/EBIT – ratio of the market valuation of the company increased by the net debt to the operating profit
EV/EBITDA – ratio of the market valuation of the company increased by the net debt to the operating profit increased by depreciation
ROE – the return on equity
ROA – the return on assets
WACC – weighted average cost of capital
FCFF – free cash flow to firm (owners and creditors)
Beta – a rate taking into account the dependence of the changes in share price of the given company to the change of the index value
SG&A – selling, general and administrative expenses

BASIC PRINCIPLES FOR GIVING RECOMMENDATIONS

This recommendation, hereinafter referred to as the "Recommendation," expresses only the knowledge and views of the Analyst, as on the day the Recommendation is prepared.

The basis on which the Recommendation is prepared includes all publicly available information known to the Analyst as on the day the accommodation was prepared, in particular information provided by the Issuer in interim and annual reports prepared to meet obligatory financial reporting standards.

The Recommendation includes forecasts and estimation elements, as well as the recommendations and suggestions of investment behaviors, which are based solely on the analysis performed by the Analyst, any arrangements with the Issuer or other entities and it is based on a series of assumptions that may become inaccurate in the future. Neither Noble Securities S.A. nor the Analyst give any assurance whatsoever that the presented forecasts will be met.

The Recommendation given by Noble Securities S.A. remains valid for nine months or until the moment, the target price is reached, unless it is previously updated. The update of the Recommendation will depend on the market conditions and the subjective evaluation of the Analyst.

Markings used by Noble Securities S.A. on the direction of the Recommendation are appointed according to return on investment expected by the Analyst:

- **BUY** – expected return on investment is more than +20,00%
- **ACCUMULATE** – expected return on investment is between +10,00% and +20,00%
- **HOLD** – expected return on investment is between –10,00% and +10,00%
- **REDUCE** – expected return on investment is between –20,00% and –10,00%
- **SELL** –expected loss on the investment is more than 20,00%

THE STRENGTHS AND WEAKNESSES OF VALUATION METHODS USED BY NOBLE SECURITIES S.A. IN THESE TYPES OF REPORTS, BRIEFS AND RECOMMENDATIONS

DCF method – is considered the most methodologically proper valuation technique and consists in discounting cash flows generated by the rated entity; its weakness is the high sensitivity to changes in assumptions concerning forecasts in the adopted model. A variety of this method is the discounted dividend method.

Discounted residual income method – allows identifying companies that record accounting profits, but do not earn enough to cover the opportunity cost of capital commitment for the owners. The key disadvantage of this method is basing the analysis of the accounting data, not cash data.

Comparative method – based on a comparison of valuation multipliers of companies in which the rated entity operates; this method is better than the DCF method to reflect the current state of the market; the weak points include substantial variability associated with fluctuations in prices and stock market indices (in the case of comparing listed companies) and difficulty in the selection of comparable companies.

Partial sums method – based on a separate measurement of the individual segments of the rated entity and their subsequent aggregation; the disadvantage of this method is high sensitivity to changes in assumptions for the valuation of individual segments.

ASSOCIATIONS AND CIRCUMSTANCES THAT COULD IMPAIR THE OBJECTIVITY OF THE ANALYTICAL REPORT

The Analyst is not a party to any agreement concluded with the Issuer and does not receive remuneration from the Issuer.

The remuneration of the Analyst for preparing the Recommendation paid by Noble Securities S.A. is independent of the financial results generated on investment banking transactions concerning the financial instruments of the Issuer carried out by Noble Securities S.A. or any affiliated entity. It cannot be excluded that the remuneration that the Analyst may be eligible to in the future from Noble Securities S.A. in another capacity may be indirectly dependent on the financial performance of the investment banking transactions relating to financial instruments of the Issuer, carried out by Noble Securities S.A. or its affiliates.

Moreover, Noble Securities S.A. informs that:

- The Issuer is not a shareholder of Noble Securities S.A.,
- The Analyst does not own securities of the Issuer or securities or shares in its subsidiaries, as well as any other financial instruments in any direct way connected to the securities of the Issuer,
- It is possible that Noble Securities S.A., its shareholders, entities affiliated with shareholders of Noble Securities S.A., executives or other persons employed by Noble Securities S.A. already have, may intend to buy or sell the securities of the Issuer or any financial instruments directly connected with the securities of the Issuer or the securities of the issuer (issuers) or any financial instruments directly connected with the securities of the issuer (issuers) operating in the same industry where the Issuer operates,
- Neither the Analyst nor any related person mentioned in article 160 section 2 point 1-3 of the Act dated 29 July 2005 on the circulation of financial securities (uniform text, Journal of Laws of 2010, No. 183, item 1538, as amended) hold any functions in the bodies of the entity of the Issuer, nor they take up any executive positions in this entity,
- Noble Securities S.A. is a party to the agreement with the Issuer concerning the preparation of the Recommendation and collects remuneration in this respect.

Therefore, according to the knowledge of the Board of Noble Securities S.A. and the Analyst, between the Issuer and Noble Securities S.A., persons affiliated with Noble Securities S.A. and the Analyst **there are no circumstances or connections other than those indicated in the Recommendation or in the disclaimer following the Recommendation, in the meaning of § 9-10 of the Resolution of the Minister of Finance dated 19 October 2005, on the information comprising recommendations of financial instruments, their issuers or depositaries (Journal of Laws No. 206, item 1715), that could jeopardize the objectivity of the Recommendation**.

OTHER INFORMATION AND DISCLAIMER

The Recommendation is a document which has been drawn up in accordance with the Resolution of the Minister of Finance dated 19 October 2005, on the information comprising recommendations of financial instruments, their issuers or depositaries (Journal of Laws No. 206, item 1715), and at the request of the Issuer.

The recommending entity ensures that the Recommendation was prepared with the necessary due diligence based on generally available facts and information considered trustworthy, reliable and objective by the Analyst, however neither Noble Securities S.A. nor the Analyst guarantee that they are fully accurate and complete, in particular when the information used as basis in the preparation of the Recommendation turns out to be imprecise, incomplete or did not fully reflect the actual state.

Neither Noble Securities S.A. nor the Analyst bear any responsibility for investment decisions taken on the basis of the Recommendation, nor for any actions or detriment incurred as a result of investment decisions taken on the base of the Recommendation and the information it contains. The responsibility for investment decisions taken on the basis of this Recommendation lies solely on the investors.

The Recommendation or any of its provisions shall not constitute:

- an offer in the meaning of article 66 of the Act dated 23 April 1964 – Civil Code (Journal of laws, number 16, item 93, as later amended),
- basis for concluding an agreement or incurring an obligation,
- public proposal to acquire financial instruments or a public offer of financial instruments within the meaning of article 3 of the Act dated 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (uniform text: Journal of laws 2009, No. 185, item 1439, as amended),
- invitation to subscribe or require securities of the Issuer,
- investment advisory services or asset management services.

The Recommendation

- is addressed to institutional investors, clients of Noble Securities S.A., potential clients of Noble Securities S.A., employees of Noble Securities S.A. and users of the Noble Securities S.A. website www.noblesecurities.pl,
- shall be available free of charge to the above-mentioned addressees in electronic form or through individual meetings or by publishing it on the website www.noblesecurities.pl, and furthermore Noble Securities S.A. does not exclude publishing part, abbreviations or the whole Recommendation in the media, at the same time as it is published on the website www.noblesecurities.pl or at a later time,
- is intended for publishing only on the territory of the Republic of Poland and it is not intended for publishing or distribution whether directly or indirectly on the territory of the United States of America, Canada, Japan or Australia, nor any other jurisdiction where such publication would be in violation of the respective laws of the given jurisdiction or would require registration within this jurisdiction,
- does not include all information about the Issuer and does not allow for a full evaluation of the Issuer, in particular concerning the financial situation of the Issuer, because the Recommendation includes only some selected data concerning the Issuer,
- is of informational character only, therefore a comprehensive evaluation of the Issuer is not possible based only on the Recommendation.

On the principles set forth in paragraph 14 of the Resolution of the Minister of Finance dated 19 October 2005, on the information comprising recommendations of financial instruments, their issuers or depositaries (Journal of Laws No. 206, item 1715), the descriptive part of this Recommendation was presented to the Issuer in order to verify facts presented in the descriptive part of the Recommendation and amended appropriately after the verification.

Investing in financial instruments, including securities, involves a series of risks connected, among others, with the microeconomic situation of the country and the stock markets, changes in laws and other regulations concerning the activity of economic entities. The elimination of risks in investing in financial instruments is practically impossible.

Investors using this Recommendation shall not resign from performing an independent evaluation and considering circumstances other than those indicated by the Analyst or by Noble Securities S.A.

FINAL REMARKS

Additional information about Noble Securities S.A. and matters connected with risks in investing in financial instruments through Noble Securities S.A. and those connected with measures taken by Noble Securities S.A. to prevent conflicts of interest occurring in conducted activities are published on the website www.noblesecurities.pl.

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Noble Securities S.A. is subject to the supervision of the Polish Financial Supervision Authority.

In the last 12 months noble securities S.A. did not issue a Recommendation for the company MCI Management S.A.

Recommendations in the last 12 months	Issued recommendations		Recommendations issued for clients of Noble Securities S.A. investment banking	
	Number	% total	number	share
Buy	10	43%	5	50%
Accumulate	3	13%	1	33%
Hold	8	35%	1	13%
Reduce	2	9%	0	0%
Sell	0	0%	0	0%
Total	**23**		**7**	**33%**

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