

frisco.pl

mci

M A N A G E M E N T



26/01/12

Investment in Frisco

Consistent execution of the strategy to invest in e-commerce companies

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MCI's current investments in the e-commerce sector

The logo for frisco.pl, featuring the text "frisco.pl" in white lowercase letters on a dark red rounded rectangular background.The logo for morele.net, featuring a red circle with a white lowercase "m" inside, followed by the text "morele.net" in black.The logo for MALL.CZ, featuring the text "MALL.CZ" in white uppercase letters on a red rectangular background.The logo for INVIA.cz, featuring the text "INVIA" in black uppercase letters with a blue swoosh underneath, followed by ".cz" in black.The logo for intymna.pl, featuring the text "MODNE ZAKUPY" in small grey uppercase letters above "intymna.pl" in red lowercase letters.The logo for domzdrowia.pl, featuring the text "domzdrowia.pl" in blue lowercase letters with a registered trademark symbol, and "zdrowie i uroda" in smaller blue lowercase letters below.The logo for NEXTO.PL, featuring a red circle with a white "X" inside, followed by the text "NEXTO|PL" in black.The logo for Retail Info, featuring a blue sunburst icon followed by the text "Retail Info" in blue.The logo for ZŁOTE MYSLI, featuring the text "ZŁOTE MYSLI" in blue uppercase letters with a blue swoosh underneath, and "POMAGAMY Z SUKCESEM" in smaller blue uppercase letters below.

Through previous transactions and held assets, MCI represents strong competences in the e-commerce sector

Frisco – reasons behind the investment

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area of operations:	e-commerce
stage:	growth
value of investment:	target – several dozen million PLN
share:	target - majority

reasons behind the investment:

- *strong market position – the leader among pure players*
- *advanced completion and logistic facilities*
- *high growth potential*
- *expected economies of scale – increase in profitability*
- *managing team*
- *consolidation prospects*

Frisco – about the company

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2006

- founding of Frisco.pl Sp. z o.o.
- Frisco.pl online shop launches

2009

- state-of-the-art completion center opens in Praga Poludnie, Warsaw
- implementation of an integrated delivery truck loading system

2011

- the number of registered customers exceeds 50,000
- establishing Frisco S.A. and acquisition of shares of Frisco Sp. z o.o.; managerial buyout by Hiranya Holdings Ltd.

The operating idea was based on similar companies already existing on American and British markets



- Main activity – selling and delivering groceries and household goods to customers' homes using own car fleet in Warsaw agglomeration area
- The number of registered clients exceeds 54,000; number of new registrations amounts to 600 - 900 per month, maintaining steady and organic growth
- About 10% registered clients purchase regularly at Frisco.pl, this is comparable with the results achieved by the British company Ocado
- Frisco's key suppliers are the main distributors operating in Warsaw and the major FMCG producers.
- Frisco is first on the Polish market to implement an innovative model of just-in-time delivery of fresh produce, which is prepared by suppliers according to the customers' orders, ready to be automatically sorted for order completion and delivery (they are packed, branded with Frisco's logo and labeled with barcodes that show the item's weight); the fresh produce include vegetables, fruits, meat and hams, fish and some dairy products.
- Frisco established a strategic co-operation with such leading FMCG manufacturers like Procter&Gamble, Kimberly Clark, Wasa-Barilla and Nutricia; supporting a complex e-commerce service consisting in selling the brand name goods through the Frisco platform and providing complex completion and delivery services; the manufacturers' shops are available directly on the Frisco.pl website.

Frisco – leader of the e-grocery market

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- Frisco is the first and the largest dedicated e-grocery shop in Poland
- The service covers Warsaw and surrounding areas with delivery possible countrywide.
- Frisco has a state-of-the-art order completion center and the most sophisticated order processing system in Central Eastern Europe - unlike the systems used by its competitors, Frisco's order completion system is highly scalable and thus capable of handling rapid order increases.
- Frisco.pl has been setting quality standards of customer service in Poland with the rate unattainable for its competitors
- Frisco sets the benchmark in customer service in Poland, beyond reach of its competitors
- The company follows the example of Ocado, public listed company, traded on the London Stock Exchange, which delivers groceries to 70% of English households.
- Dynamic development of e-commerce and growing social awareness will be the indicators of the company's further development
- Frisco was chosen as the integrated e-commerce service supplier top FMCG brands in Poland.
- Frisco runs its own e-commerce platform and door-to-door order processing and handling service



Frisco – competitive position

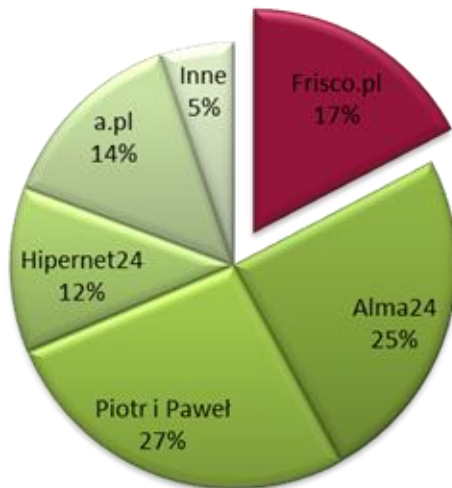
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- Not only is Frisco one of the best players on the Warsaw e-grocery market, but thanks to its completion center, it is capable of servicing the expected market volume in the future.

The company's competitors are :

- Traditional retail chains selling goods via the Internet (so-called bricks & clicks): Alma24, Piotr i Paweł, a.pl (Bomi), Hipernet24 (E. Leclerc)
- Online supermarkets like Frisco with no traditional sales (so called pure players)
- A unique system of automated order completion among e-grocery companies in East-Central Europe
- None of Frisco's competitors in Poland have either an automatic completion system or an integrated delivery system.

Shares in Warsaw e-grocery market



- Thanks to the automated completion system, Frisco offers unrivalled quality of service – delivering goods in full and on time, with no mistakes.

- Frisco has reached world-class quality of service:

Order fulfillment accuracy: 99%* (per cent of deliveries without lacks or substitutes).

Order punctuality: 95% (within one-hour delivery brackets).

- Frisco's sorter can complete 1200 orders daily (using the current means and without extra expenses), such efficiency is beyond the reach of any competitors, for all of them do the whole order completion work manually.
- Frisco is the only Polish e-grocery whose logistics base allows for a five-fold increase in orders



* According to Frisco's estimates, order completion in online delivery from supermarkets like Alma24, Piotr i Paweł is about 90%

Frisco – technology



The customer places an order for same day or for next day delivery



3 pm is the deadline for the next morning delivery
11pm is the deadline for the next afternoon and next evening deliveries



The automatic system sends the orders to everyday suppliers and the completion lists to the warehouse. At the same time it divides the total number of orders into separate waves (60 orders)



Warehouse workers pick products for one wave (60 orders concurrently) from the shelves by means of a PDA



The selected goods are put on conveyors and transported to the sorter, which is the heart of the completion system



In the sorter, the items are scanned and put on conveyor boards. The sorter then transports each product and drops it automatically to the client's chute



Once the order is completed, the system sends a signal to the worker, who stuffs the products into Frisco bags and crates



The full crates are conveyed to the loading dock and after the code has been scanned the system indicates the proper steel frame for each crate to be placed



Such prepared frames with the goods are loaded onto vans



The customer receives the groceries at the chosen delivery time

Frisko – key people

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Witold Ferenc

The founder and the President of Frisko SA.

The originator and author of Frisko.pl.

He is one of the most experienced experts in the field of e-commerce, as well as communication and marketing of brands and products.

He founded and managed companies dealing with business and political communications.

He graduated Warsaw University and the Oxford University.

Marcin Mierzwiński

Member of the Supervisory Board and the co-author of Frisko.pl; he is responsible for finances and strategy.

He has many years' experience in investment banking (ABN, AMRO, Fidea) and private equity (Innova Capital).

He graduated from the Private School of Business and Administration in Warsaw and became a CFA charter holder.

Currently he is a partner in PAAN Capital investment consultancy firm.

Krzysztof Felker

Member of the Management Board of Frisko SA.

He has been working for Frisko since December 2011. He is an experienced expert in retail trade.

Prior to Frisko, he was a manager in an all-Poland supermarket chain and a member of the Board of Directors in a food processing company.

For many years he worked as a consultant for international advisory firms.

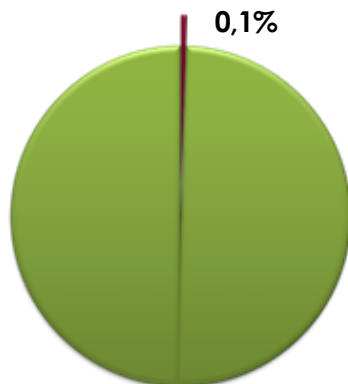


Food market

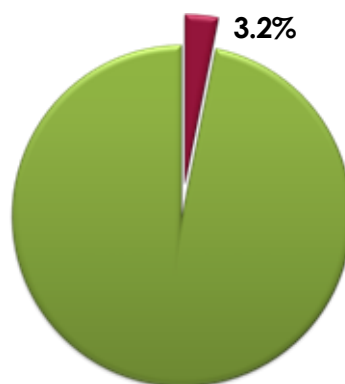
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- In 2011, the value of the food market in Poland increased by 3.7% to almost 250 billion PLN, which is nearly 9 billion more than it was in 2010.
- Value of the food market for one person in Poland amounts to 6,500 PLN
- The position of the modern large-area format sales segment is getting stronger
- Hypermarkets, supermarkets and discount stores control 40% of the food market, comparing to 30% in 2006
- To compare – value of the food market in Great Britain amounts to 780 billion PLN, which makes about 12,500 PLN for one person

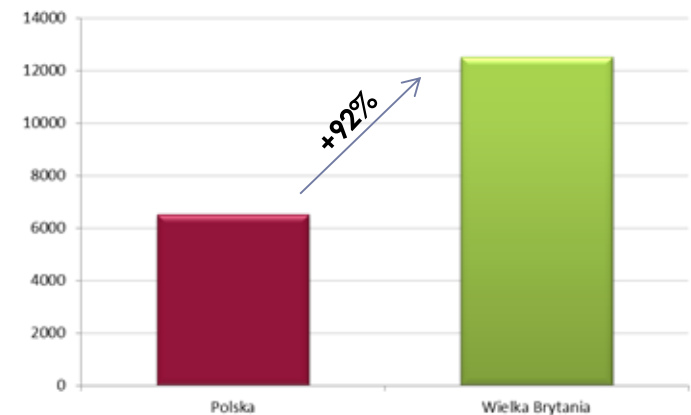
E-grocery share in the food market in Poland



E-grocery share in the food market in the UK



Value of the grocery market per capita (in Poland and the UK)

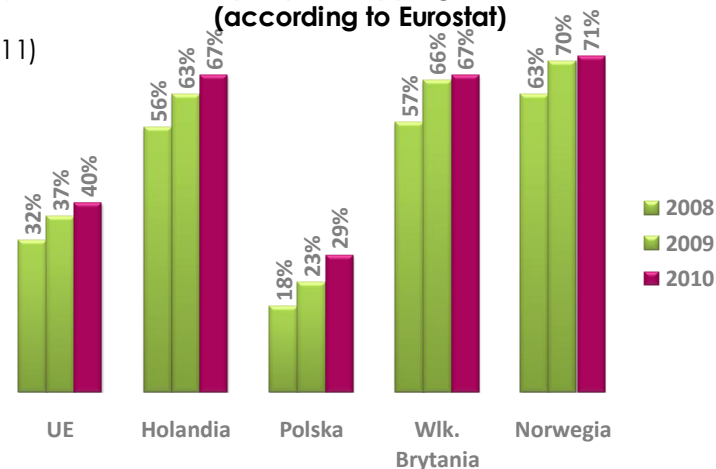


E-commerce and e-grocery markets

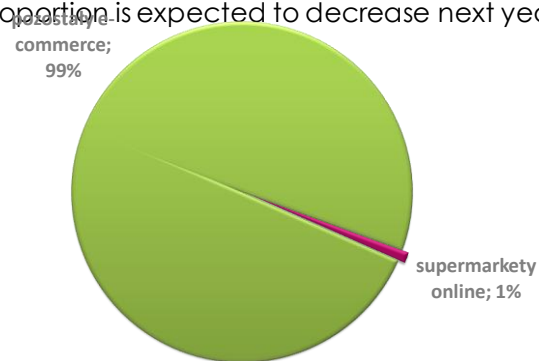
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- As far as the value is concerned Poland is the fifth largest e-commerce market in Europe. ResearchFarm estimates that with the value of 3.3 billion EUR in 2011, Polish e-grocery market will increase by 80% between 2012-2015 (*Rzeczpospolita 6/6/11*)
- The total value of the FMCG market in Poland is estimated at 20 billion PLN, in which online shopping equals 2.5 percent, i.e. approx. 50 million PLN a year
- The total value of the e-grocery market in Poland is estimated at over a hundred and several dozen million PLN
- On the British market, online sales of FMCG products amounts to 3.2%, but in big cities the number is 2 - 3 times higher
- It is expected that in 2 - 3 years' time the market where Frisco operates (e-grocery in Warsaw) should accelerate rapidly and reach at least 1-1.5% of the total FMCG market, which means 200 million a year
- Considering the potential on the market, Frisco is the best positioned online supermarket in Poland:
 - The completion center allows handling of up to 360.000 orders a year, which means revenues of 100 million PLN
 - The brand is associated first of all with quality of service
 - It has a scalable platform capable of servicing an increase in orders
- Nowadays, due to low social awareness, online supermarket share in the e-commerce market is only 1%
- The sales of soft drinks and grocery items amounts right up to 29% of the retail trade in Poland
- This disproportion is expected to decrease next year

% of people shopping online (according to Eurostat)

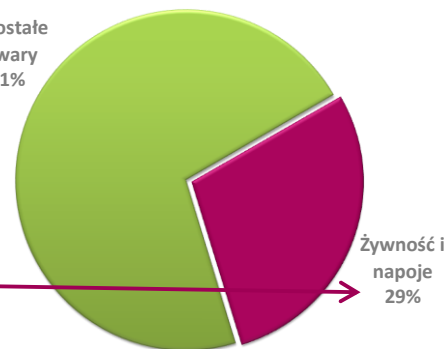


Online supermarkets against total e-commerce market value in Poland



Source: Internet Standard, report e-commerce 2010

Pozostałe towary



Source: GUS

Retail sales in Poland



Frisco – development strategy

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1. Growth on the Warsaw market

B2C

- **Aggressive marketing** strategy in order to dominate the category of home delivery foodstuffs
- **Mobile platform:** launching an Android and iPhone applications, which change shopping experiences also in traditional shops
- **Integration** with culinary content
- **Introducing new categories:** cosmetics, healthcare products, OTC drugs and others

B2B

Initiating a new sales model for companies:

- **Dedicated product:** selected assortment, fresh produce offer, features for placing order automation
- **Better fleet deployment:** deliveries to companies are carried out when there are no orders from individual customers
- **Dedicated team**
- **Fulfillment feature for other suppliers** (using the completion abilities as an independent business line)

Advertising

- **Monetizing website traffic** – currently the Frisco website has approximately one million visits monthly
- **Employing strategic partnerships** with the top FMCG manufacturers, in order to increase the income from advertisements
- **New items** positioning adjusted to the specificity of FMCG business

2. Expansion

- Frisco.pl, making use of the experience gained on the Warsaw market, plans to expand its services to other Polish cities within the next two or three years.

3. M&A Opportunities

- Frisco has a state-of-the-art logistics base worth several million zlotys, whose design and implementation took over a year. This advantage is recognized by competitors who know the unique character of the e-commerce trade. The company is ready for acquisition opportunities, which can result in an abrupt increase in business activity and making better use of logistics platform without incurring extra expenses

Frisco – business opportunities

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- Taking advantage of the growth of the food market, the highest value market in Poland (250 billion PLN)
- Growth of:
 - the share of the e-commerce retail trade in general
 - the share of the e-grocery market in the food market from the current marginal level to about 2-3% in the fund's investment horizon
- Taking advantage of MCI's experience and competences from other e-commerce firms to increase efficiency of Frisco's activities:
 - Purchasing (price policy, payments, stock and Cash Conversion Cycle)
 - Operations (growth of KPIs, e.g. effectiveness, customer satisfaction)
 - E-commerce (improvement in conversion, average basket value, shopping repeatability)



One of the few pure players, i.e. a company doing business purely online. Its offer includes kosher food, gluten-free products and vegetarian foods. Ocado's strategy led the company to achieve the sales of 645 million EUR and business growth of 30% in 2010.

- Since launch in 2002, the company delivered more than 16 million orders
- Over one-and-a-half million registered users
- Serving around 2/3 of British households
- On average of 15,000 orders delivered everyday
- In 2010, the annual sales reached 551 M £ and EBIDTA 22 M £
- Sell over 21,000 lines
- Over 4,200 jobs created.
- **2002** – delivery service started; over its first 12 months Ocado's delivery area increased from an initial 100,000 households to approximately 2,200,000 households, and gross sales rose to £440,000 per week.
- **2005** – Ocado's delivery area expanded to more than 10 million households.
- **2006** – for the first time the company reached the level of 50,000 deliveries per week in July.
- **2007** – Ocado's EBITDA became positive in November.
- **2008** – introducing the freshness guarantee.
- **2009** – launching iPhone application and Sunday deliveries.
- **2010** – launching Android application and Ocado's private label (in September); in May the number of the 100,000 deliveries in a week was exceeded for the first time
- **2011** – the company's delivery coverage expanded to over 70% of UK households.





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