

MCI Management SA – summary of first half of 2009

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After the first half of 2009, MCI Management SA has generated the consolidated net result of PLN 11.4M. This accounts for 52.7% of the total result for last year.

In the first half of 2009, the MCI Capital Group has generated the consolidated net result of PLN 11.4M, while the book value of consolidated assets of MCI (calculated according to EVCA Guidelines (i.e. the European Venture Capital Association) at the end of H1 2009 amounted to PLN 306.6M and grew by 12.5% to the respective period of the previous year (PLN 272.5M). The net value of consolidated assets of MCI recorded on 30 June 2009 was PLN 219.7M.

“The results MCI generated after the first half of 2009 show the company is doing great, in spite of the economic downturn that was especially noticeable in that period. Despite external difficulties, we have executed another exit transaction yielding high returns (over the past ten years, the average annual net internal rate of return on the investment portfolio managed by us grew to 18.8%). I believe it is a reason for our investors to be glad. We are happy to have proven yet again that investing in MCI is a good choice.” said Tomasz Czechowicz, President of MCI Management SA.

In H1 2009, first significant revenues from fund management have been recorded, resulting in generating gross revenue in the amount of PLN 4,259k. The Consolidated net income was significantly influenced by the transfer of MCI.BioVentures Sp. z o.o. to the dedicated investment fund and the summary increase in the value of assets held by the MCI Management SA CG.

“The results generated by the MCI Group were, above all, positively influenced by increasing the effectiveness of portfolio companies. In 2009, MCI’s funds have successfully executed disinvestment transactions for the total amount of PLN 15.8M – including the full exit from Bankier.pl and a partial exit from One-2-One SA. For the first time we have also recorded positive inflows from the portfolio; portfolio companies,

like Bankier.pl, have paid over PLN 1.61M in dividends from generated profit.

The exit process from one of the oldest investments of the MCI Group – Bankier.pl SA, was completed successfully. The whole investment project in the years 2000-2009 yielded for MCI the average annual net internal rate of return of 30.38% generating return on invested capital of about 4.7x. – adds Tomasz Czechowicz. The final price in the call was PLN 9.00 and the total price per share including the call price and dividend: PLN 9.39. That means a 20.4% premium on the average price of shares of Bankier for the six months of listings preceding the announcement of the call.

The companies included in the MCI portfolio have perfectly used the prevailing crisis to their own development. In June 2009, the company INVIA.CZ, belonging to the portfolio of MCI.TechVentures 1.0 acquired 100% of shares in NetTravel Company consolidating the already strong leading position on the Czech and Slovak market. The acquisition will allow the company to control around 60% of the e-travel market in Czech and Slovakia, estimated at around EUR 170m and to maintain the high growth rate at 30% a year.

The company from the MCI.EuroVentures 1.0 portfolio – ABC Data Holding SA – in H1 2009, compared to the respective period of the previous year, recorded growth of EBITDA by 32%. Concurrently, the cash conversion cycle was reduced by 27%, resulting in a significant decrease in use of operating loans compared to the respective period of the previous year.

Invia and ABC Data together comprise about 70% of all assets managed by MCI. It is even more pleasing that these companies are achieving such excellent results in difficult times. Therefore, the announcement of the introduction both companies to the market of the Warsaw Stock Exchange in 2010 is consistently sustained.

Other significant events that have influenced the operations of the MCI group in H1 2009 include:

– the registration and launch of two new funds: Helix Ventures Partners FIZ (another of MCI's early stage funds; backed up with financing from NCF) and MCI Gandalf Aktywnej Alokacji SFIO (an alternative assets fund – the managed funds come from external investors);

– accession to the competition announced by the National Capital Fund – MCI filed motions for financing of three new investment funds, including one investing in clean technologies;

• execution of a disinvestment transaction for the total PLN 15.8M, accounting for 53% of total exits in 2008;

• commencement of sales of investment fund certificates of the MCI.TechVentures 1.0 subfund to individual investors • the rate of return on this investment is 27% within one quarter (the value of TV assets per certificate rose from PLN 41.11 on 31 March to PLN 52.19 at the end of June 2009);

• actions taken to reduce the level of commitments (the planned level of commitments at the end of 2009 should not exceed PLN 70M, compared with 92.1M at the beginning of 2009).

At present, MCI manages 21 companies, of which: 15 are in the portfolio of MCI.TechVentures 1.0 subfund (net value of assets, as on 30/06/09, was PLN 87.0M), three companies are in the portfolio of MCI.EuroVentures 1.0 subfund (net value of assets, as on 30/06/09, was PLN 135.5M), three companies are in the portfolio of Nordkapp Ventures (ultimately MCI.BioVentures) FIZ (net value of assets, as on 30/06/09, was PLN 8.3M). Helix Ventures Partners FIZ is on the eve of making initial investments. The MCI Gandalf Aktywnej Alokacji SFIO Fund currently manages assets of around PLN 17M.

On 31 July 2009, the EGM of MCI Management SA took a resolution to issue not more than 5,000 pieces of bonds series B, convertible to shares with the face value of PLN 10,000 each, with the total face value of not more than PLN 50M. The offer is to be executed by means of a private subscription to no more than 99 investors. The bonds will entitle to a conversion to series J shares. The conversion price is PLN 6.25, which means the bondholder will be entitled to convert one series B bond to 1,600 series J shares. In this way, MCI intends to raise funds for, among others, the redemption of bonds issued in 2007.

In addition, due to an improvement in the economic situation, the company is considering to resume work on the second public offering of MCI shares, which had been suspended on 12 March 2009 until the economic situation improved. The long-term strategy assumes MCI to develop into a company managing diversified alternative asset portfolios grouped under closed-end investment funds. As a result of this strategy, MCI will focus on maintaining the leading position on the Polish PE/VC market; expand its operations on CEE markets by creating or acquiring new management companies and investment funds complementary to its present portfolio.

In the coming years MCI intends to:

• focus on developing the assets under management and to increase the significance of revenues from management fees in the inflows of the MCI Group;

• continue its private equity and venture capital investment activities on the Central-Eastern European Market through: development of present MCI portfolio companies, building new funds and continuation of raising capital for the existing funds, execution of investment exits, execution of new investments and the eventual consolidation of assets of other funds;

• execute public offerings and sell to strategic and financial investors the subsequent portfolio companies of the MCI funds;

• concentrate on cooperation with portfolio companies of MCI; supporting them financially and substantively, according to the philosophy of operations of venture capital and private equity funds;

• raise external capital to execute subsequent investments;

• build competences in the area of managing alternative fund assets outside the private equity class in order to diversify the investment offer of the MCI Group.

Considering the plans of the company and the improvement of the situation on the financial market and stock exchanges, and the positive evaluation of fulfillment of MCI's annual targets after H1 2009, the management board of MCI assumes an increase of the consolidated net result at the end of 2009, by over 33% to the year 2008 (PLN 21.5M), to the level of around PLN 28.8M.

The basic components of this increase will be revenues generated from management of funds and, above all, the increase of value of held assets resulting from the improving situation of portfolio companies within the investment funds managed by the MCI Capital Group. The forecast is based on the assumption that, at the end of 2009, the MCI Capital Group will manage assets worth around PLN 400M (including total investment commitment of managed funds), 15% of which already belong to external investors. Assessments of the possibilities of the realization of the above forecast will be updated systematically, at least once a quarter. The position of the management board in this respect will be published in financial statements or current reports of MCI.