

# MCI Management SA publishes results for the year 2010

17.03.2011

MCI has yet again achieved significant growth of annual consolidated net result to the level of 156.1 million PLN. The value of consolidated assets grew to 635 million PLN. MCI has maintained its high rate of return on investments - in the last 12 years, the average annual internal rate of return (IRR) on the whole portfolio managed by MCI was over 24%.

## FINANCIAL SITUATION

“We have generated consolidated net profit for the year 2010 over 251% higher than the net profit in the year 2009 (44.4 million PLN), which is the result of dynamic growth of the value of assets held by MCI, driven by the improving situation and results of portfolio companies of investment funds managed and owned by MCI CG and significant growth of revenues from fund management to the level of 11.5 million PLN. In 2010, compared to the year 2009, we also recorded a significant increase in value of consolidated net assets (NAV) to the level of 498.2 million PLN. That is growth by 87.3% compared to the previous year (266 million PLN).” said Tomasz Czechowicz, President of MCI Management SA.

Value of assets under management (AUM) at the end of 2010 was 763.3 million PLN (including total investment commitment of managed funds). The total average net internal rate of return on investments managed by MCI, in the period from the beginning of the group's operation to the end of 2010, calculated as the sum of full and partial exits, was over 24% a year, raising the indicator by over four percentage points compared to the end of the year 2009, strengthening and confirming the position of MCI in the group of top private equity funds in Europe.

“I sincerely believe that last year we managed to strengthen the basis for further development of MCI, and the actions we are presently undertaking will lead to improving the effectiveness of the whole Capital Group. We expect this to translate into further increase of results and developing the value of the company.” added Tomasz

Czechowicz.

## NEW INVESTMENTS

Last year, MCI funds invested in six companies. Three investments were made by Helix Ventures Partners, signing agreements with mSejf (online data backup), eBroker (financial comparison engine) and Serwis Prawa (website delivering legal information and advice). Two investments were made by MCI.BioVentures, becoming engaged in MedCasco (innovative health insurance) and Biotech Varsovia Pharma (manufacturer of dietary supplements). While, MCI.TechVentures together with Intel Capital invested in the Mall.cz (leading online retailer in the CEE region). The total invested amount in the year 2010 (including follow-ons) was about 74 million PLN.

## NEW FUNDS

In the year 2010, MCI created two new funds. The first one, Internet Ventures, created together with NCF and IIF, is the largest venture capital technology fund in Poland, with 100 million PLN in investment assets at its disposal. The fund's strategy assumes investments in projects at early stages of development and at growth stage companies with the potential for success on the Polish market, CEE, European and global market, operating in digital media as well as mobile and online technologies and services (B2C). The second fund created in the year 2010, was MCI.ImmoVentures which invests in the real estate sector. Launch of this fund was an element of MCI's strategy for the year 2010 and subsequent years. The board sees significant growth potential for the Group in this area and an opportunity to increase significantly the value of assets under management in this segment of our operations, parallel to the segments currently being developed: venture capital, and expansion and buyouts.

## MAJOR COMPONENTS OF THE MCI GROUP'S PORTFOLIO

1. MCI.EuroVentures Fund managed by Konrad Sitnik, investing in the segment of 50-150 million PLN investments in expansion and buyouts, which, thanks to limited competition and the level of economic development of companies in CEE, can now deliver the highest returns in the private equity class of assets. The main component of the fund's assets remains ABC Data S.A. group the best IT distributor of 2010 in Central Eastern Europe. In May 2010, the group made its debut on the stock exchange, in December the acquisition of Scop Computers S.A. from Romania and began its expansion into Lithuania. Historically, the highest financial results of the Group were respectively 13 9.5 million PLN net profit and 2.710 billion PLN in revenues. MCI through managed funds held 66.6% shares worth approximately 305 million PLN at the end of the year 2010.

2. The portfolio of venture capital funds comprises MCI.TechVentures, managed by Sylwester Janik; Helix Ventures Partners, managed by Piotr Pajewski; InternetVentures, managed by Rafał Styczeń and Tomasz Czechowicz; and MCI.BioVentures, managed by Grzegorz Gromada. In the area of technology venture capital, the MCI Group remains the leader on the market in Central and Eastern Europe in terms of assets under management with an almost 12 year history. The funds' portfolios include 23 investment projects, with value of assets under management reaching 360 million PLN. The major projects include:

• Mall.cz - the largest e-commerce group in Central and Eastern Europe offers a wide array of products, especially consumer electronics and home appliances. The investment was executed together with Intel Capital and the total invested amount was €10 million. The company is pursuing the strategy of dynamic organic growth and mergers and acquisitions on the markets of Central and Eastern Europe.

• NaviExpert - leader in personal navigation systems on the Polish market; recorded a three-digit growth in revenues in the year 2010.

• Telecom Media - the biggest player on the mobile advertising market in Poland (realized over 350 campaigns), planning the IPO on the Warsaw Stock Exchange in the year 2011.

• Invia.cz - leader of the e-travel market in Czech and Slovakia. The company is characterized by high effectiveness - it increased sales and improved profitability despite unfavorable market conditions. IPO is being prepared for the Warsaw Stock Exchange.

• Intymna.pl - leading online retailer of clothing with monthly revenues exceeding 1 million PLN.

• Genomed - an innovative company concerned with reading and processing genetic information, including molecular diagnostics. The company is preparing to make its debut on NewConnect. The company plans to become listed in the second quarter of 2011. Despite its early stage, the company doubled its revenues compared to the year 2009.

• Travelplanet - leader of the Polish e-travel market, which after the difficult times for Polish tourism in 2009/2010, thanks to significantly strengthening the management and increasing engagement in shareholding by the funds managed by MCI, should return to the path of economic development.

3. MCI.Immoventures Fund, opening the family of real estate and infrastructure funds, managed by Roman Cisek, is aimed at individual investors, with over 40 million PLN in assets and the portfolio of five prospective real estate projects. The fund operates in the attractive segment of mezzanine financing and portfolio buyouts, where the group

expects an attractive 15% return due to the advantageous moment in the real estate market cycle.

## EXIT TRANSACTIONS

In the previous year, MCI executed exit transactions worth 21.7 million PLN – it was the result of, among others, the exit from One-2-One investment (IRR on this transaction reached approximately 58%), the partial exit from investment in ABC Data (generated IRR approximately 48%), as well as the exits of MCI.ImmoVentures fund and dividend from Invia company.

## ANALYTICAL REPORTS

The development strategy of MCI, adopted by the board, has met with the acclaim of analysts, which was reflected in the analytical reports concerning MCI published in the year 2010. In the report of AmerBrokers (June 2010) MCI shares were valued between 9.37 and 10.90 PLN. DNB NORD (July 2010) valued MCI shares at 9.77 PLN, additionally giving the recommendation “BUY.” The same recommendation was given by BM BGLŹ (October 2010), valuating the shares of MCI at 8.76 PLN. While in December 2010, BZ WBK Brokerage issued to recommendation to “accumulate,” valuating the shares of MCI at 9.10 PLN.

## CHANGES IN ORGANIZATIONAL STRUCTURE AND TEAM

In December 2010, work began on the changes in structure. The new structure will enable to recognize the value of the company and the management teams by separating the activities of fund management from investment activities of MCI Management SA. Numerous analytical reports showed that the stock exchange valuation of MCI shares does not include 10 years’ worth of MCI’s know-how as a managing company. The results from management generated by MCI distinguish the company against Poland and Europe; however, stock exchange investors perceive it solely on the basis of equity distributed among individual funds. Considering the sake of its shareholders, the board decided to show that the full value of MCI shares is not only equity, but also the experience and satisfying returns on executed investments.

The year 2010 was also the year strengthening the potential of managing teams and the whole of MCI. The team of partners and managers welcomed, among others, Jacek Murawski, former President of Wirtualna Polska, Michał Chyczewski – former Vice Minister of Treasury and the Director of BGK S.A. Bank and Piotr Pajewski – the veteran head of the Warsaw office of BMP – a German private equity group, for many years being one of the most active players on the venture capital market in Poland. It is also worth mentioning about the cooperation with the Internet Investment Fund from

Cracow managed by Rafał Styczeń, the second most experienced venture capital fund in Poland after MCI.

## PLANS AND PRIORITIES FOR THE YEAR 2011

“The year 2011 will give the MCI group opportunities, which we wish to use in the fullest extent in order to ensure further dynamic development of the Group. These key opportunities are delimited activities of our competitors connected with the needs to restructure portfolios and difficulties concerning raising new funds; attractive market valuations of new investments, improving situation on the exit transactions market, connected with good microeconomic results compared to other countries in Europe and around the world and increasing interest in the Polish market from international investors.” said Tomasz Czechowicz.

The key plans and priorities of the group in the year 2011 will be:

1. Venture Capital – increasing value of investment portfolio by over 30%, securing the leading position on the CEE market, executing investments worth at least 80 million PLN (10 projects), IPOs for the companies Genomed, Invia and Telecom Media, building up portfolio companies Mall.cz and NaviExpert, as well as developing new funds in cleantech, financial services, biotechnology and raising financing in the private banking channels.
2. Buyouts and expansion – executing 1-3 transactions worth 150 million PLN (not necessarily in the TNT sector), through strategic initiatives and operational expansion of ABC Data (M&A and organic growth) aiming to transform domestic leaders into regional ones, increasing portfolio value by about 30%. Commencing fundraising for a buyout fund in the commitment model of MCI Partners Fund 3.0 (Polish and international financial institutions).
3. Infrastructure and real estate – increasing portfolio value by about 15%, focus and further investments in the residential sector (mezzanine product), executing new investments worth 20 million PLN, starting work on an infrastructure fund, verifying strategic options concerning consultation of the real estate asset management sector and fundraising through private banking channels
4. Asset Management – increasing AUM to the minimum level of 1.2 billion PLN in 2011 and 1.8 billion PLN in 2012, fixed management fee growth by over 72%, continuing refinancing and/or issue of bonds, continuing issues investment certificates, separating the areas of FoF (NAV) and private equity AM (P/E) in order to make the group’s value more recognizable to investors.

## RESULTS FORECAST FOR THE YEAR 2011

“We forecast that in the year 2011, the value of consolidated net assets per share will

grow from 8.44 PLN to 10.76 PLN, which means 27.44% growth and the value of the net consolidated result to the level of 171 million PLN. The main components in the growth of the consolidated net assets per share in the net profit in the year 2011 will be the increasing value of held investment assets and revenues generated from fund management.” announced President Czechowicz. The forecast is based on the assumption that the MCI CG, prior to publication of results for 2011, will have managed assets worth over 1.2 bn PLN (including full investment commitment of managed funds); the value of new investments of MCI Group will exceed 240 M PLN and the growth of GDP and WIG20 will not be lower than 4.1% and 10% respectively. The forecast does not include the settlement concerning JTT lawsuit