

## Better-than-Forecast Performance – PMPG Polskie Media Summarises Its Successful FY 2016

- Sales revenue went up to PLN 57,130,000
- EBITDA increased by 59 % YOY from 2015
- Net profit of PLN 7,990,000 – achieved growth of 37 % YOY from 2015

FINANCIAL HIGHLIGHTS OF THE PMPG POLSKIE MEDIA GROUP	12 MONTHS ENDED ON 31.12.2016 (PLN `000)	12 MONTHS ENDED ON 31.12.2015 (PLN `000)	CHANGE
SALES REVENUE	57,130	51,800	+10%
GROSS PROFIT FROM SALES	32,228	29,920	+8%
EBIT	9,541	5,767	+65%
EBITDA	10,163	6,402	+59%
GROSS PROFIT	9,505	6,683	+42%
NET PROFIT	7,990	5,840	+37%

Table 1. Financial highlights. Source: 2016 Financial Statements of the PMPG Polskie Media Group

Sales revenue of the PMPG Polskie Media Group for 2016 amounted to PLN 57,130,000 and was 10 % higher than generated last year. On a consolidated basis, EBIT was PLN 9,505,000, i.e., it grew by 65 % from 2015 and by 27 % compared to the forecast. EBITDA of PLN 10,163,000 grew by 59 % from the last year and by 25 % over the forecast. Gross profit went up by 42 % and net profit by 37 %.

The forecast published in June 2016 was surpassed mostly thanks to event projects pursued in the last quarter of 2016 (such as 100% Polski Produkt, TOP Wizjonerzy) that were approved in the third quarter; as such these results were not reflected in the forecast. The increased price per copy of the *Do Rzeczy* weekly magazine also contributed to the better-than-forecast results. Building on decisions involved in the organisation of expansion of the Group's portfolio and project management, new activities were launched with the resources at hand. This helped to keep costs at the same level while the increase in revenue was directly translated into improved profitability of PMPG Polskie Media Group. The profitability was also stimulated by the optimization of selling expenses through the automation of the order processing and the simplification of the sales structure.

"Our forecasts were based on conservative assumptions in line with the *over-deliver than over-promise* approach. Revenues from new projects were reflected in our P&L 2017 but we assumed that they would not significantly affect the performance in the last quarter of 2016. In fact, they have already positively affected the results for the closing months of 2016 but their full effects will be seen this year", explains Michał Maciej Lisecki, President of Management Board of PMPG Polskie Media. He promises that the company will publish its 2017 forecast after the publication of its first quarter results. Mr. Lisecki adds that the Group is also in the process of launching other projects. The website SuperHistoria.pl released by Orle Pióro sp. z o.o. kicked off at the end of March.

The President also comments on the buy-back initiated last year. "The General Meeting authorised the company's management board to buy shares with the intent to resell them to certain funds. PMPG Polskie Media is a company which generates good financial results and its ratios remain very attractive. The buy-back will be carried out in tranches,

the first one is about to commence”, says Lisiecki. He adds that the most recent sale of treasury shares by PMPG was the outcome of such negotiations, and shares were sold to an entity interested in a medium-term investment.

Regarding the growing volume of barter transactions, the PMPG President emphasizes that a media company pursues barter deals mostly for promotion since new projects need promotional actions. “Doing business without advertising is like winking at a girl in darkness. Apart from us, no one knows what we are doing”, Lisiecki quotes Stuart Henderson. And he adds that the principle of *putting a brand at the forefront of customer’s mind* is embedded in his strategy to achieve long-term objectives and improve returns.

In 2016, the management board of PMPG Polskie Media focused its efforts on regaining the stable financial fundamentals that the company had as recently as 2014, and on designing projects of key importance for the development strategy of the entire media group. Such projects include, among others, digitalisation of both main titles, development of associated websites and investment in a business channel of online television called *inwestorzy.tv*. The effects of these initiatives are already visible in the 2016 performance as the growth in sales of digital issues and the almost doubled growth of revenue from display advertisements demonstrate. As a parallel effort, all newly launched sites utilise certain marketing automation solutions to stimulate further increase in revenue.

The two marquee weekly magazines remain the source of 80 % of the revenue of the group; since they exist on the mature market for opinion-forming press, a positive revenue growth rate in this vertical is achievable but limited.

The *Wprost* weekly magazine is the main asset of the PMPG Polskie Media Group. In the second half of the year, its published decided to change the editorial management and hired Mr. Jacek Pochłopeń as the editor-in-chief. The new editor-in-chief has not only refreshed the editorial staff but has also vigorously utilised synergies between the weekly magazine and the [www.wprost.pl](http://www.wprost.pl) website. The website as such supports the linking of texts to video contents, quotes from social media, info-graphics and animations with the use of high quality pictures. A new website *DoRzeczy.pl* was launched in November, building on the successful best digital practices already deployed on *Wprost.pl*. This is the next stage of changes to be made in content management across all digital distribution channels and monetisation of data and content from the publisher’s archives. In March 2017, the total number of views of the group’s websites was more than 10 million and the number of users was almost 3 million.

Although the development of websites and changes in the group’s publishing portfolio are the most visible and commented upon by the market, they account only for a fraction of our robust efforts that are intended, among others, to diversify the sources of revenue and to identify and select the strategic direction of development of the PMPG Group.

Over the last couple of weeks, intense efforts were made for the premiere of the *Stars* movie directed by Jan Kidawa-Błoński. The movie’s producer is Film Point Group, a subsidiary of PMPG Polskie Media. PMPG is credited as its co-producer. The promotional campaign of that movie is already underway. The story is based on the biography of Jan Banaś who is rather forgotten now but was among the best Polish football players. *Stars* is compared to such movies as *Być jak Deyna*, but with a significantly better opportunity to attract a larger and wider audience. The premiere is scheduled for 10 May 2017 and the movie will be distributed in cinemas across Poland beginning May 12th.

We have also pursued the Machina Music project – an independent music publishing company that will launch young European artists on the US market. The project is in the start-up phase. Currently, MM-label artists make recordings in Kosovo and managers negotiate cooperation with a major worldwide music publisher.

The official commencement of the project called PMPG Ventures – M4E investment vehicle (*media for equity*) was deferred. The project will cover both all non-press assets of the PMPG Group as well as its new investments and should commence in the period around the 3<sup>rd</sup> and 4<sup>th</sup> quarter of this year. Now, our efforts are focused on the organisation of the project and its structure within the PMPG Polskie Media Group.

PMPG Polskie Media is a holding company active in the traditional and new media market. The Group owns: Agencja Wydawniczo-Reklamowa Wprost – publisher of *Wprost* weekly magazine and Orle Pióro – publisher of *Do Rzeczy* weekly magazine. For more updated information about operations of the PMPG Group, please go to ([www.pmpg.pl](http://www.pmpg.pl)) and its social media profiles: Facebook (<http://www.facebook.com/PMPG.SA>) and Twitter ([https://twitter.com/PMPG\\_PL](https://twitter.com/PMPG_PL)).