

# KP Media

KYIV POST KYIV BUSINESS DIRECTORY bigmir.net АФІША Корреспондент Pink ІНТЕРНЕТ МАГАЗИН 15 МИНУТ Плані ТВОЙ РАЙОН

02140, г. Киев, Пр-т Бажана, 14 А, тел. (044) 496-45-63, факс (044) 286-64-65

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KP 2q Report:

## **Strong Organic Growth, Regional Expansion and Groundwork laid for 3q launches.**

### **Strong growth in Revenue**

KP saw strong growth in existing projects in 2q/07. Overall 2q revenue grew 46% y-o-y growth to USD 4.68 million. While Publishing grew nearly 40%, KP Media Internet projects grew at 115% y-o-y to USD 750K.

### **Q2 ' 07 ('000 USD) vs Q2 ' 06 ('000 USD)**

<b>Korrespondent</b>	33%
<b>Afisha</b>	10%
<b>Formax</b>	54%
<b>BigMir</b>	115%

Total EBITDA for 2q was USD (-290). This total was better than the budgeted USD (-324K). Though this total is less than the USD 189K earned in 2q/06, New Projects, (those less than 2 years old), earned a total USD (-834K) EBITDA. In contrast, Existing Projects (those over 2 years in the market), saw increased EBITDA to 360K in 2q/06 to 543K in 2q07. Additionally, KP Media EBITDA margins in Existing Projects increased from 11.2% to 12.8%.

As per its strategy, KP Media is continuing to invest into new launches and expansion of existing projects. KP Media succeeded in the regional expansion of several existing projects during 2q/07. Additionally, KP Media has continued to invest in preparation for future launches in 2h/07.

### **Completion of Audit:**

Deloitte has completed its audit of KP Media financials and is in process of completion of final report which will be presented to the Supervisory Board in September.

## **Continued Regional Expansion and new features for bigmir.net**

### **Expansion in the internet:**

Due to the rapid expansion of programming and web architecture teams, KP Media has laid the groundwork for rapid expansion of bigmir and launch of new features for the portal. As a result of new features and growth in internet penetration, total page views of KP Media sites have increased 76%.

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## Growth of internet sites Jan-July 2007

	Hits	Hosts
All KP sites	76%	58%
Bigmir.net	76%	56%
Korrespondent.net	75%	50%

Additionally, bigmir.net has reached a strategic agreement with Google concerning email, search and AdSense placement system. Programming and web architecture in these areas has been completed in 2q/07 and implementation is expected in 3q/07. KP Media believes that this partnership will result in strong growth in both traffic and revenue for [bigmir.net](#) and other KP Media internet projects.

Bigmir Video service was launched during 2q. Since its launch, bigmir video has grown to the largest video site in Ukraine and reaches over 500,000 users per month.

### Substantial development of new projects for release in 3q:

During 2q/07, bigmir.net has undertaken development of new rating system for Ukrainian internet which is ready for release in 3q/07. Additionally, KP Media has begun development of new search functionality and email in conjunction with Google. KP Media has prepared the launch of AdRiver banner network in 3q for launch across all of KP sites, which will allow for more targeted campaigns for advertisers.

[Bigmir.net](#) is in process of completing implementation of the updated version 6.0 of bigmir/ICQ. The launch is expected before the end of 2007. The new version of the instant messenger will allow Bigmir/ICQ to be viewed in Ukrainian, Russian as well as English as well as allow additional communication between user's computers and mobile telephones.

The launch of Novynar.com.ua, Ukrainian language news site is expected in 3q in conjunction with launch of the publication.

### Regional expansion of titles, New Launches planned for 3q:

KP Media used 2q to continue its regional expansion of existing titles. These launches in the regions will both solidify the market position of these titles and allow for greater leverage in advertising from national advertisers.

### 15 Minutes expands to 3 new cities:

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Starting on April 3, KP Media launched its first regional edition of 15 Minutes, its daily newspaper, in Odessa. This was followed by launches in Donetsk in June and Kharkov in July. The launch of 15Minutes in Dnepropetrovsk is set for 3q. Since the beginning of 2007, daily circulation of 15 Minutes has increased to 175,000 copies per day. As a result of the regional expansion, 15Minute now has largest daily circulation of any newspaper in Ukraine.

## Afisha launches in Zaparozhya.

Afisha launched in Zaparozhya in April, bringing the total number of editions to 4. Afisha Zaparozhya will be published under license to Studio Navigator. An additional licensing contract has been signed for the launch of Afisha Vinnytsa in 3q/07.

## New launches for 3q/07

Preparation is underway for the launch of 2 additional titles in 3q/07: Novynar weekly news magazine and Vona, a monthly women's title. Both of these titles will compliment existing KP Media publications. Most notably, Novynar will be paired with Korrespondent to solidify KP Media position as market leader in the news category in both magazines as well as internet. With the launch of Vona, KP Media will have 3 women's titles on the market which will improve its leverage with advertisers as well as produce cost savings in production.

## Conclusion:

KP Media has succeeded in following its strategy laid out at the beginning of the year and laid the groundwork for future expansion. KP Media has seen strong growth in its core brands. Internet has shown explosive growth both in traffic and revenue, which is expected to continue into 2h/07 as new projects are launched and bigmir.net continues to expand. As a result of strong growth in the advertising market as well as recent launches, KP Media expects to see strong continued growth in 2h/07.

KP Media continues to invest into new projects and launches. As a result, negative EBITDA is expected for 2h/07. Each of the new projects requires significant investment and is expected to show losses for the initial period. KP expects to see significant increase in revenues from these new launches in 2h/07 and 2008.



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## KP Media Total Q2'07 vs Q2'06

(\$)	Q2 '07	Q2'06	Variance	Var, %
	Total	Total		
Publishing	3 047 600	2 238 039	809 561	36%
Internet	761 692	354 321	407 371	115%
Other	68 363	31 634	36 729	116%
Omega	253 538	221 714	31 824	14%
Formax	652 894	425 220	227 674	54%
<i>less Intercompany Eliminations</i>	- 103 778	- 55 400	- 48 378	-87%
<b>Total Revenue</b>	<b>4 680 309</b>	<b>3 215 527</b>	<b>1 464 782</b>	<b>46%</b>
Cost of Revenue	- 3 124 425	- 1 836 185	- 1 288 240	-70%
<i>less Intercompany Eliminations</i>	29 604	32 365	- 2 761	-9%
<b>Gross Margin</b>	<b>1 585 488</b>	<b>1 411 707</b>	<b>173 781</b>	<b>12%</b>
<i>Gross Margin %</i>	33,9%	43,9%	11,9%	
<b>Other Income</b>	-	<b>18 819</b>	- 18 819	-100%
Distribution and Marketing Costs	- 908 191	- 541 883	- 366 309	-68%
Administrative Expenses	- 1 035 964	- 714 961	- 321 003	-45%
Depreciation	- 148 520	- 68 856	- 79 664	-116%
Other Operating Expenses	- 6 346	- 6 936	590	9%
Total Operating Expenses	- 2 099 021	- 1 332 636	- 766 385	-58%
<i>less Intercompany Eliminations</i>	74 174	23 035	51 139	222%
<b>Operating Margin</b>	<b>- 439 360</b>	<b>120 925</b>	<b>- 560 285</b>	<b>-463%</b>
<i>Operating Margin %</i>	-9,4%	3,8%	-38,3%	
Other Income/(Exp.)	- 5 518	509	- 6 028	-1184%
Interest Income	47 029	6 381	40 648	637%
Interest Expense	- 2 909	- 3 271	362	11%
<b>Net Income Before Tax</b>	<b>- 400 758</b>	<b>124 545</b>	<b>- 525 303</b>	<b>-422%</b>
Income Tax	- 32 455	- 55 532	23 077	42%
<b>Net Income</b>	<b>- 433 213</b>	<b>69 013</b>	<b>- 502 226</b>	<b>-728%</b>
<i>Net Income %</i>	-9,3%	2,1%	-11,4%	
Operating Margin	- 439 360	120 925	- 560 285	-463%
Depreciation	148 520	68 856	- 79 664	-116%
<b>EBITDA</b>	<b>- 290 839</b>	<b>189 782</b>	<b>- 480 621</b>	<b>-253%</b>
<i>EBITDA %</i>	-6,2%	5,9%	-32,8%	

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## KP Media Existing Projects Q2'07 vs Q2'06

(\$)	Q2 '07	Q2'06	Variance	Var, %
	Existing Projects	Existing Projects		
Publishing	2 615 706	2 237 212	378 494	17%
Internet	761 692	354 321	407 371	115%
Other	68 363	31 634	36 729	116%
Omega	253 538	221 714	31 824	14%
Formax	652 894	425 220	227 674	54%
<i>less Intercompany Eliminations</i>	- 103 778	- 55 400	- 48 378	-87%
<b>Total Revenue</b>	<b>4 248 416</b>	<b>3 214 701</b>	<b>1 033 715</b>	<b>32%</b>
Cost of Revenue	- 2 295 329	- 1 726 772	- 568 557	-33%
<i>less Intercompany Eliminations</i>	29 604	32 365	- 2 761	-9%
<b>Gross Margin</b>	<b>1 982 691</b>	<b>1 520 294</b>	<b>462 397</b>	<b>30%</b>
<i>Gross Margin %</i>	46,7%	47,3%	44,7%	
<b>Other Income</b>		<b>18 819</b>	- 18 819	-100%
Distribution and Marketing Costs	- 489 327	- 505 590	16 262	3%
Administrative Expenses	- 1 017 279	- 689 328	- 327 952	-48%
Depreciation	- 145 600	- 68 745	- 76 855	-112%
Other Operating Expenses	- 6 346	- 6 936	590	9%
Total Operating Expenses	- 1 658 553	- 1 270 599	- 387 954	-31%
<i>less Intercompany Eliminations</i>	74 174	23 035	51 139	222%
<b>Operating Margin</b>	<b>398 312</b>	<b>291 550</b>	<b>106 762</b>	<b>37%</b>
<i>Operating Margin %</i>	9,4%	9,1%	10,3%	
Other Income/(Exp.)	- 5 518	509	- 6 028	-1184%
Interest Income	47 029	6 381	40 648	637%
Interest Expense	- 2 909	- 3 271	362	11%
<b>Net Income Before Tax</b>	<b>436 914</b>	<b>295 169</b>	<b>141 745</b>	<b>48%</b>
Income Tax	- 32 455	- 55 532	23 077	42%
<b>Net Income</b>	<b>404 459</b>	<b>239 638</b>	<b>164 821</b>	<b>69%</b>
<i>Net Income %</i>	9,5%	7,5%	2,1%	
Operating Margin	398 312	291 550	106 762	37%
Depreciation	145 600	68 745	- 76 855	-112%
<b>EBITDA</b>	<b>543 912</b>	<b>360 295</b>	<b>183 617</b>	<b>51%</b>
<i>EBITDA %</i>	12,8%	11,2%	17,8%	