

ImpactDashboard 2013

Media Development Investment Fund invests in independent media around the world providing the news, information and debate that people need to build free, thriving societies. Timely, accurate, relevant information is critical to free societies. It enables fuller participation in public life, holds the powerful to account and protects the rights of the individual.

MDIF invests its resources of financial capital – primarily through affordable debt and equity financing – and human skills in independent media companies in countries where access to free and independent media is under threat, helping them to build commercially sustainable businesses around professional, responsible, quality journalism. From 1996 to 2012, we provided over \$125 million in affordable financing to 283 projects for 91 independent media companies in 31 countries.

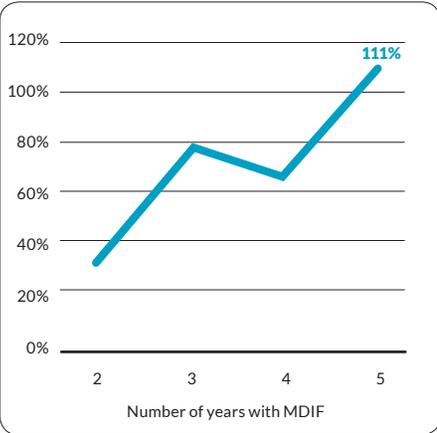
Measuring impact is critical to our work. To that end, we have been producing the Media Development Impact Dashboard since 2006. In this Impact Dashboard 2013, we analyze data from 2012 on sales and financial viability to assess the economic sustainability of our clients, as well as on reach and employment to track their wider impact on the countries in which they operate.

In 2012 we launched Digital News Ventures (see Spotlight page 10), a wholly-owned subsidiary which invests in news and journalism start-ups. As the indicators we use in this Impact Dashboard – primarily sales and audience reach – have little relevance to the success or otherwise of early-stage digital start-ups, data for Digital News Ventures clients is only included in the MDIF portfolio section.

Reach

In 2012, **55 million** people received their news from MDIF clients through traditional media and **10 million** through digital. From 2011 to 2012, individual client reach increased by an average of **52% for traditional media and 82% for digital**. After five years of working with MDIF, client reach grew by an average of **111%**.

Cumulative change in reach

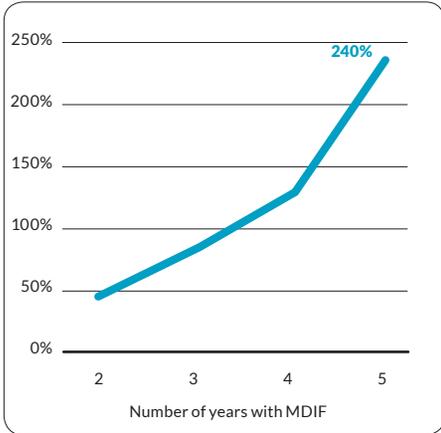


Sales

In 2012, MDIF clients made a total of **\$110.4 million** in sales. From 2011 to 2012, individual client sales grew by an average of 0.7%.

After 1 year of working with MDIF, client sales increased by an average of 45%, and **after 5 years by 240%**.

Cumulative change in sales

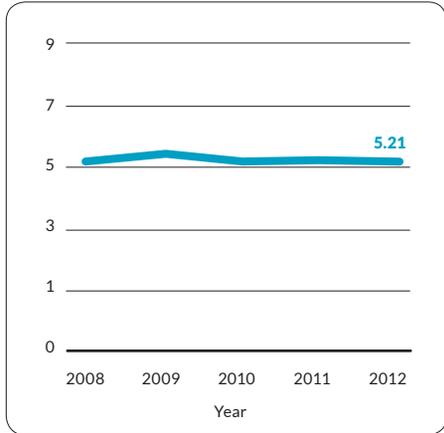


Viability

In 2012, **43%** of MDIF clients had risk-ratings below the 'safe' level of 5 and **8%** had a 'high' risk-rating of more than 7.

Overall, average client risk ratings dropped slightly from 2011 to 2012.

Average risk rating by year



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Overview & Methodology

Media Development Investment Fund invests in independent media around the world providing the news, information and debate that people need to build free, thriving societies. We invest our resources of financial capital – primarily through affordable debt and equity financing – and human skills in independent media companies in countries where access to free and independent media is under threat, helping them to build commercially sustainable businesses around professional, responsible, quality journalism. Our independent media clients provide timely, accurate, relevant information that enables fuller participation in public life, holds the powerful to account and protects the rights of the individual.

Through our annual Impact Dashboard, we strive to examine the impact MDIF has on our independent news media clients. We answer questions such as: Do client sales grow by working with MDIF? If so, by how much? Do they become more financially viable? How many people receive their news from MDIF clients? While it is not possible to prove absolute causality between our assistance and improvement in a client's business, we believe that the longer we are able to examine outputs from diverse clients, the more we can infer that MDIF is a significant contributor.

Since 2005, we have attempted to measure and publish the impact of our work and contribute towards a better understanding of the role of impact investing in media development. Still, the methodology is challenging. Not all of our clients, for example, collect audited reach data, so in certain cases we have to make estimates based on population size and other relevant factors (although we do omit these values from our growth-rate analysis). Another challenge is in collecting consistent online metrics since not all of our clients systematically measure their web traffic, although we are working hard to encourage clients to adopt a consistent, comparable platform of Google Analytics. Also, when calculating reach our overall numbers include double-counting, as many digital users will also be traditional media consumers. This is an industry problem for which there is not yet an agreed solution. This year, for the sake of transparency, we have decided to break out the reach of digital media and traditional media.

We believe in full transparency of our methodology, so for a complete description please visit the Impact Dashboard section of the MDIF website at www.mdif.org.

2 MDIF Impact Profile

2.1 Portfolio Providing affordable financing for independent news media

MDIF's portfolio clients range from small, regional companies to large national media outlets. All MDIF clients, regardless of size, are leading news organizations in their market, helping to bring about increased openness, change and accountability in countries where access to free and independent media is under threat.

MDIF approved 11 new clients in 2012 - five in four countries new to us: Everwrite (Brazil); Multi Media Group (Ghana); Gram Vaani (India); and el Búho and Ciudadana TV (Peru). In investment terms, 2012 was an exceptional year in which we invested \$12 million in new projects. Six of these new projects received financing from our new Digital News Ventures fund (see page 10), which makes seed investments in news and journalism start-ups. As the indicators we use in this Impact Dashboard – primarily sales and audience reach – have little relevance to the success

or otherwise of early-stage digital start-ups, data from Digital News Ventures clients is only included in this portfolio section.

While we experienced significant portfolio growth, we are mindful that uncertainties surround the news media industry globally. Digitalisation is disrupting traditional news business models, with the rapid increase in digital media consumption not yet being matched by a rise in digital revenues, and competition from both start-ups and established non-news digital players present further challenges. There is also the continuing impact of the global economic crisis in some of the markets in which we operate, especially in Southeast Europe. Despite the economic difficulties, at year's end our portfolio stood at a historical high of \$50.7 million (an increase of 17% from 2011), comprising 60 clients in 25 countries.

\$50.7 million 2012 portfolio size

	Cumulative (1996-2012)	2009	2010	2011	2012 (unaudited)
Portfolio size (including commitments)	n/a	\$40,480,040	\$42,802,819	\$43,341,156	\$50,697,471*
Number of total clients	91	41	48	51	60**
Number of new clients	n/a	3	4	5	11
Number of countries	31	15	19	21	25
New investments made	\$110,329,109	\$8,745,941	\$10,012,769	\$6,486,157	\$12,032,535
New projects funded	283	22	27	27	25
Principal recovered	\$55,383,527	\$4,918,388	\$6,668,999	\$4,624,470	\$4,558,066
Interests, dividends & capital gains collected	\$37,418,262	\$14,581,325	\$1,523,179	\$1,127,059	\$1,042,177

All portfolio numbers in this report include loans and other program-related investments (PRIs) committed as of year-end with equity investments valued at cost.

* Total investments including technical assistance and other grants is \$125million.

** Includes clients to whom funds were disbursed before or during 2012 and clients for whom financing was approved through the course of the year.

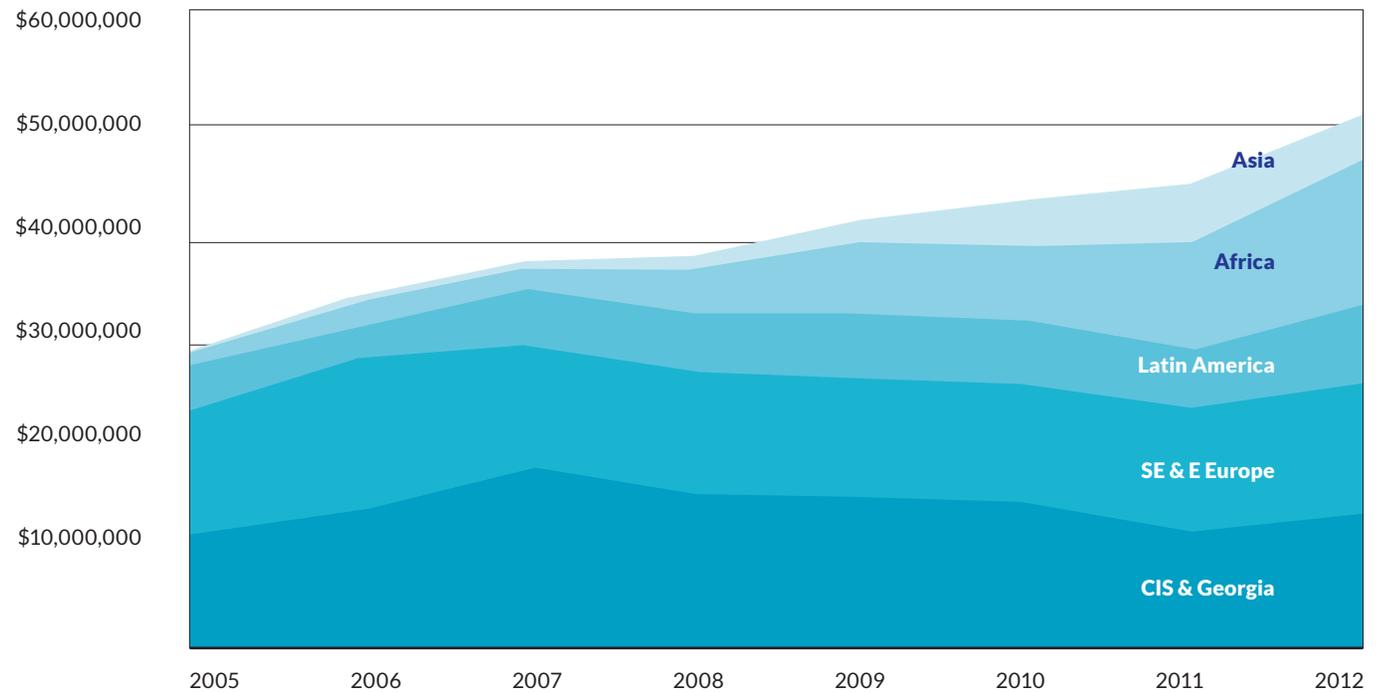
2 MDIF Impact Profile

Total portfolio over time (2005-2012)

In 2012 MDIF helped to support a total of¹:

- » 27 newspapers
- » 11 web-only news outlets
- » 8 television stations
- » 7 radio stations
- » 1 news agency
- » 46 supporting websites
- » 5 other media organizations including supporting organizations and print houses

¹Since MDIF clients produce news in a variety of media, the number of news sources MDIF supports does exceed the total number of clients



Communication Corner/Ujyaalo Network, Nepal: Engaging Listeners through IVR



Communication Corner and Ujyaalo Network - a network of more than 90 local Nepalese radio stations - were established in 1998 by four working journalists in order to bridge gaps between policy-makers and grassroots communities; to help communities understand issues of concern; and to promote pluralism, democracy,

and diversity, especially in remote areas of Nepal. They have been at the forefront of using technology to help achieve their missions and represent diverse voices.

In 2012, they introduced an Interactive Voice Response System - technology that allows listeners to be even more engaged in

the journalistic process by phoning in or texting questions and concerns about issues that are important to their communities. Each week, more than 200 calls were recorded, mainly focusing on migration and agriculture, and Ujyaalo Network radio programs addressed the issues that callers had brought up. The system also makes it easy for listeners to provide direct

feedback on Ujyaalo's broadcasts and even suggest news stories.

2 MDIF Impact Profile

2.2 Media Environment Countries with a history of media oppression

In 2012, the average press freedom index² of our investments was 51.7, only 0.02 points lower than last year's figure and at the oppressed end of "partially free" countries, according to Freedom House. 24% of our 2012 investments were in press environments considered to be "not free" – approximately the same as 2011. These include Zimbabwe, which has had a press freedom index over 81 since we began investing there in 2009, and Russia, which has had an index of 81 for the past three years. 63% of our investments were in "partially free" countries – a slight decrease from 2010. These run the spectrum from recent investments in South Africa, which has had indices around 30 in the past few years (30 and below is considered "free"), to investments in Nepal, which had an index of 58 in 2012 (above 60 is considered "not free"). The 8% of investments in "free" press environments include an approved investment

in Ghana which had an index of 28 in 2012, as well as 2008 investments in South Africa. In 2010, South Africa was downgraded from free to partially free and in 2011 dropped further from 32 to 33.

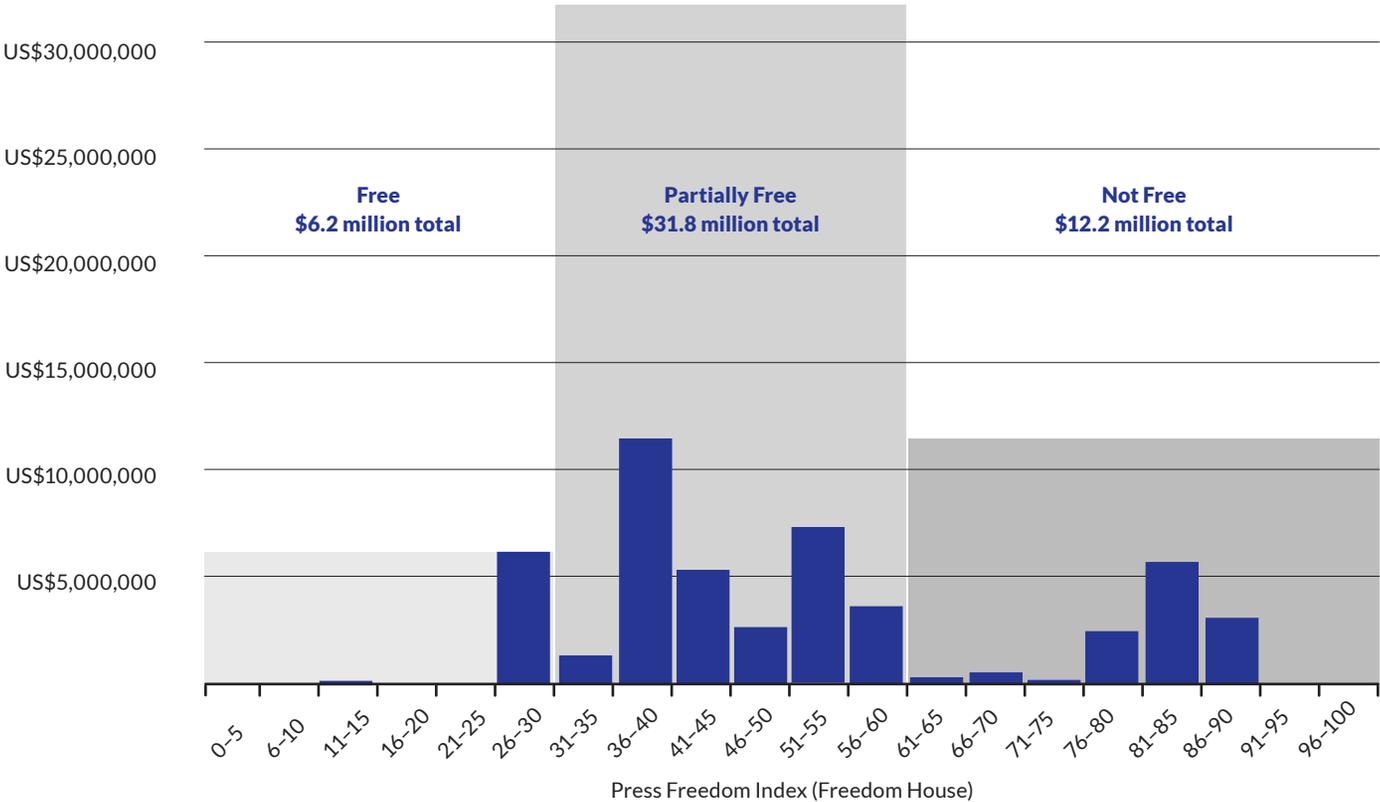
It is not surprising that the majority of our clients operate in "partially free" countries as we require basic legal, political and economic standards before we can provide financing. In many "not free" countries it is nearly impossible for independent media to exist. In 2012, however, although the percentage of investments in high-risk countries did not increase, our actual dollar amount invested did. We are planning to continue our policy of extending the reach of our operations into more countries with "riskier" profiles, and are actively pursuing potential investments in countries such as Burma. While such investments may be less secure, many

fundors and investors agree with us that the added risk is a price worth paying for supporting media development in countries with the greatest need.

² MDIF uses *Freedom House's Freedom of the Press* index which assesses the degree of print, broadcast, and internet freedom by analyzing the events of each calendar year. It provides numerical rankings between 0-100 (0 being the most free and 100 the least free) and rates each country's media as "Free," "Partly Free," or "Not Free."
www.freedomhouse.org/report-types/freedom-press

52 Weighted Average Press Freedom Index

Portfolio allocations based on press freedom at time of investment (Dec 31, 2012)



*This graph does not include our "global" projects.

3 Spotlight: Digital News Ventures

Digital News Ventures

Digital News Ventures makes seed investments in news and information start-ups. It is a wholly-owned subsidiary of MDIF set up to foster innovation in the creation of relevant news and information.

While MDIF provides debt and equity financing to established news outlets out of its regular PRI Fund (Program Related Investments), Digital News Ventures invests equity capital only in early-stage businesses. Its investees include both digital news outlets and businesses that develop the platforms and tools that enable the production of information in the digital age.

MDIF has long been active in the digital media space. We have financed some of the most respected and successful online news sites in the developing world, including Malaysiakini.com and South Africa's M&G Online. Digital

News Ventures, which was launched in 2012, is the next evolution of our investment strategy. It extends the scope of our activity beyond media companies to products and services that news businesses need to be viable in this time of digital transition. It also enables us to invest smaller amounts than we would normally provide at an earlier stage in a business's development.

Digital News Ventures targets its financing on:

- » Business models for producing credible, useful news
- » Tools that help the editorial and content-creation process
- » Products that contribute to the viability of news operations
- » Platforms that generate and disseminate data and information constructed by the

public

- » Services that help make sense of the onslaught of online information, including reporting on the social web
- » Viable, independent digital news outlets, especially in frontier markets

Global fund with focus on emerging markets

Digital News Ventures is a global, mission-oriented fund. Although there are no limits to where we invest, our primary focus is projects located in, or with particular application to, emerging and frontier markets. We believe that everyone has the right to access and share news and information – this right is critical to developing and sustaining open societies.

By the end of 2012, Digital News Ventures had approved financing for seven start-ups and committed capital of more than \$875,000.

Agrobook, Russia



Understanding the growing importance of social media and the rapid rise of connectivity and mobile usage in rural Russia, in 2012 MDIF newspaper client Krestyanin ('The Peasant') launched Agrobook, a professional network and online content destination for farming communities in southern Russia. The Agrobook site features independent reporting aimed at agricultural communities, professionally curated

question-and-answers, and a specialized classified ads section. We have provided significant hands-on consulting and product development training to support the venture. We see Agrobook as a valuable experiment in using a B2B revenue model to support news and commentary for a specific community. It is also a good example of a traditional media house transitioning to a more digitally-oriented market through product development.

Gram Vaani, India



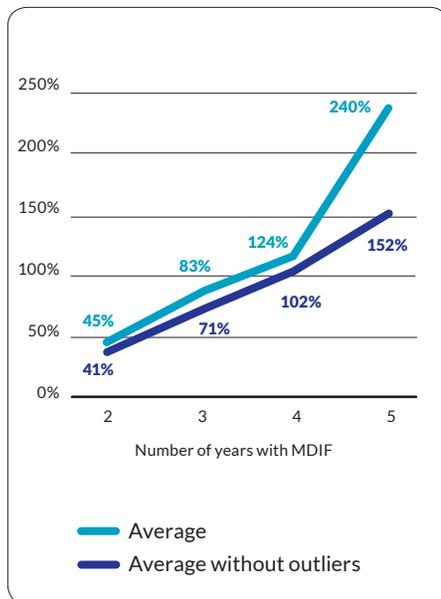
Communities understand the development issues they face better than anyone. This simple philosophy guides the work of Delhi-based social tech company Gram Vaani and inspired it to create a voice-based social media platform – or 'mobile radio network' – for some of India's rural poor. Mobile Vaani is Gram Vaani's answer to Facebook or YouTube. Taking advantage of the widespread availability of mobile phones even in

rural areas, it allows people to call into a number and leave a message about their community, or listen to messages left by others. For example, in one case, a villager in a remote area with no access to a hospital reported that an outbreak of malaria had killed three people. The message was moderated and posted, and passed to the authorities. Within one day, an ambulance with medical provisions was sent to the village.

4 Sales

4.1 Client-by-Client Sales Impact

Cumulative change in sales for clients



MDIF's primary goal is to help its independent media clients to develop long-term financial sustainability, in order to protect the editorial independence they have so carefully cultivated.

When financially sustainable, media companies – from the smallest to the largest, in both adverse or peaceful environments – are better equipped to fend off external pressures on their editorial decisions from politicians, oligarchs and other special interests. One of the best ways to measure the robustness of these businesses in the long term is to look at their growth in sales.

In most cases, client sales increased noticeably as soon as they began working with MDIF. For 33 media companies that have worked with MDIF for five years or more, there was an **average cumulative growth in sales of 240% after five years**. Even after removing the top

two maximum and minimum growths³, we still see an average increase of 152%. Moreover, the clients that have worked with us for a longer period experienced a **272% growth on average over the first six years**, and a 375% growth on average over the first seven years.⁴

The impact of MDIF can be clearly seen after the first year, with companies achieving a 45% increase in sales. Typically, this dramatic increase is due to an MDIF loan helping a media outlet to invest in infrastructure, such as radio transmitting equipment or a printing press. The highest rate of cumulative growth is seen in the fifth year of working with us, suggesting that MDIF's impact on sales is not only high, but also sustainable.

However, when comparing growth from 2011 to 2012, the numbers are less encouraging. Overall, the **average increase in individual**

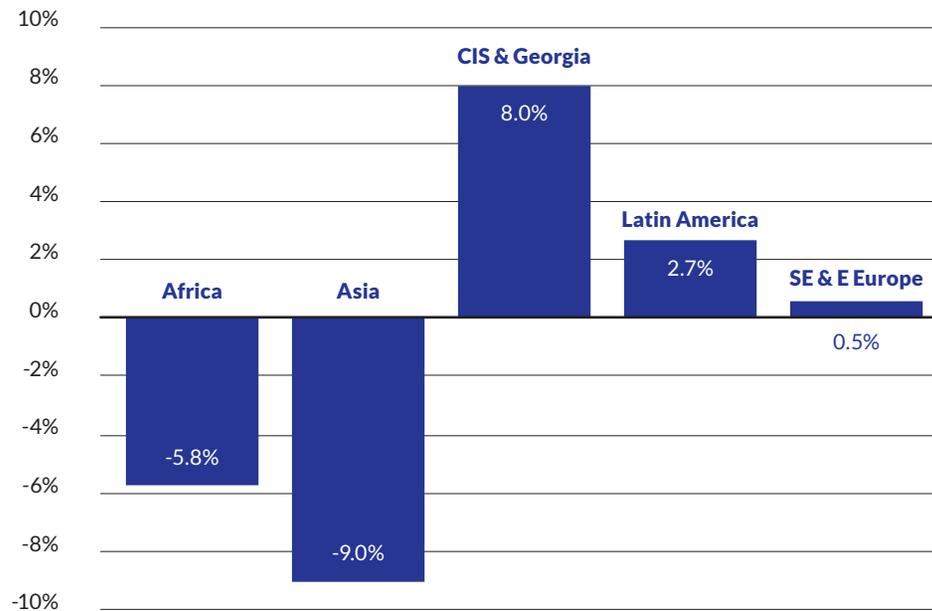
client sales between 2011 and 2012 was 0.72%, which was not as high as the 3%⁴ growth clients experienced from 2010 to 2011. This was mainly due to the introduction of data from three clients who experienced a sharp fall in sales from 2011 to 2012, as well as one client which had sales growth of approximately 100% from 2010 to 2011 due to the introduction of a new publication, but had static sales in 2011-2012.

The static sales of this last client also helps explain why the change in sales of African clients overall was substantially down on last year's 30% growth; the client's 100% growth in 2010-2011 pulled up the average for the whole region. In most other regions sales growth remained flat, with the highest change being 8% for CIS & Georgia, and the lowest -9% for Asia. However, with Southeast and Eastern European clients, last year we saw an

Highlights

increase in sales of 10%, while this year sales stayed fairly consistent with a growth of 0.5%. This is not due to any one particular client, although one TV station in Russia which saw an increase last year of 118% slipped this year to a - still impressive - growth of 34%.

Average change in client sales from 2011-2012 by region



³ In this year's dashboard we have calculated sales for all clients and with the four extreme data points removed to provide a more complete picture

⁴ When calculated without the max and min data points, the increase is 160% and 217% respectively

⁵ The 3% is slightly lower than the figure given in the 2012 Impact Dashboard as sales figures were updated after client auditing

- » In 2012, MDIF clients generated **\$110.4 million** in sales
- » Client sales grew on average by **0.72%** from 2011-2012
- » Client sales grew by an average of **240%** after 5 years (removing 4 outliers it was 152%)
- » After one year of working with MDIF, client sales grew by an average of **45%**

4 Sales

4.2 Portfolio Sales Impact \$110.4 million in sales

In 2012, 36 MDIF clients generated a total of \$110.4 million in sales, **an increase of 10% from 2011**, compared to last year's increase of 2%. In our 2012 portfolio, we gained more new clients than we exited. Most new clients had sales broadly similar in size to those of the clients which left our portfolio; however, one newspaper had sales of \$15.6 million - high enough to impact our overall sales growth. Also, as shown by average client sales increasing by 0.72% over the year, the overall individual client sales increase also had a minor impact on our total sales increase.

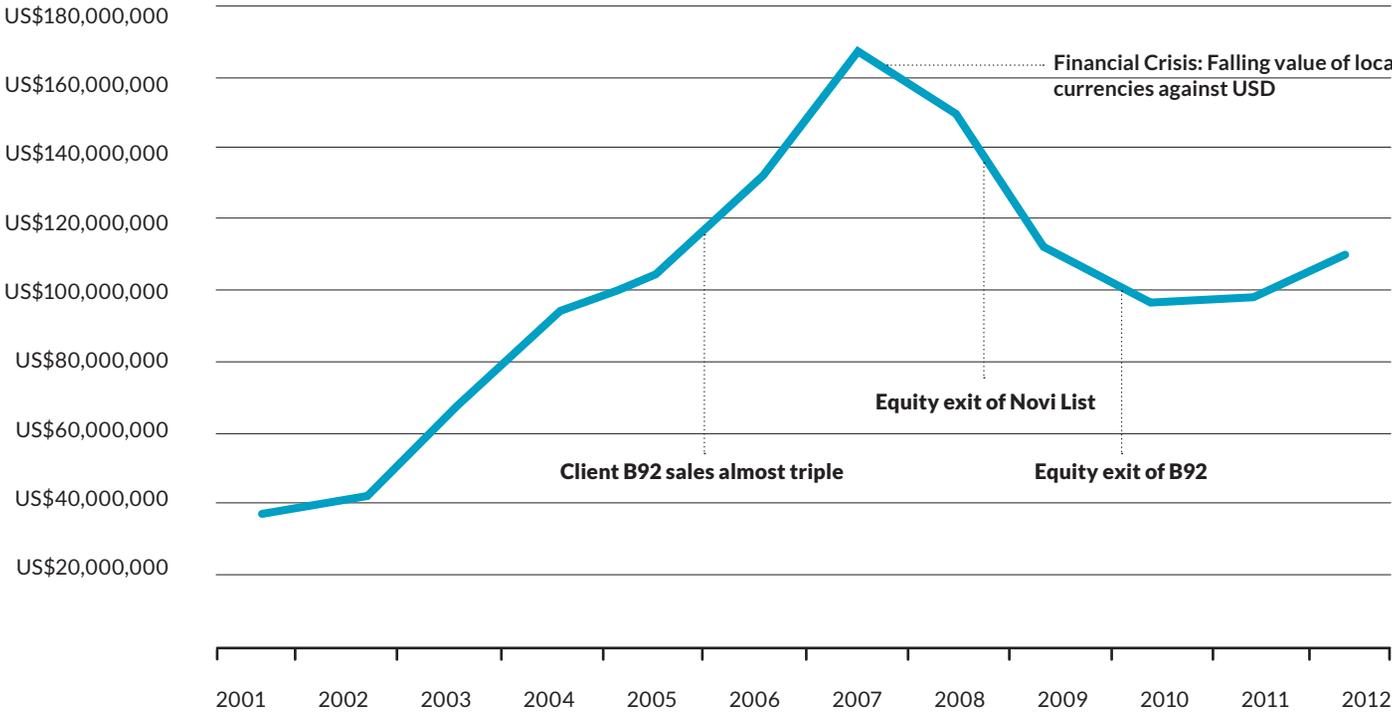
MDIF's sales leverage – the impact of each dollar invested on client sales – is one way to assess the impact we have on media development. It also provides an insight into the size of media businesses we support.

In 2012, every dollar we invested in media businesses impacted \$2.22 in client sales. This is slightly less than in 2011 - even though total sales grew by 10%, our overall portfolio grew by more than 10%, thus each dollar impacted slightly fewer sales. It also means that although we had more clients, many were smaller in terms of sales.

Over the past decade, MDIF has had an average sales leverage of \$3.13 in sales for every dollar invested. This ranged from \$2.22 this year, to a high of \$4.58 in 2007.

\$2.22 sales leveraged for every \$1 invested by MDIF

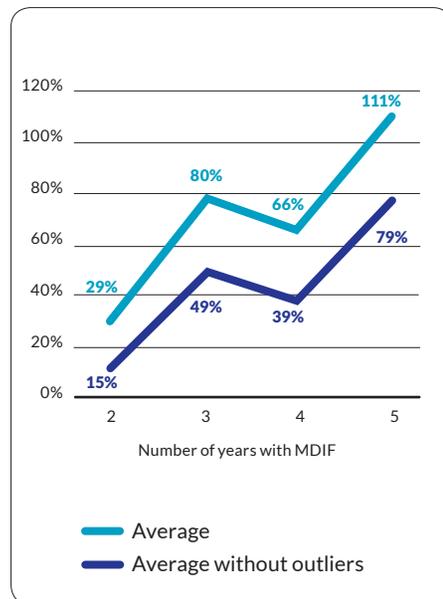
**Total annual client sales
(annotated with major events)**



5 Reach—Readers, Listeners & Viewers

5.1 Client-by-Client Reach Impact

Cumulative change in reach for clients



An essential part of MDIF's mission is to increase the number of people who have access to an independent source of news. MDIF tracks changes in the audience size of its clients, which also has a bearing on the overall health of the company.

For the 29 MDIF clients for which we have data from 2011 and 2012, there was an average increase in reach over the year of **35%** overall – **52%** for traditional media and **82%** for digital media⁶.

MDIF clients experienced an average growth in reach of 111% after five years of working with us⁷, a major increase from our 2011 data of 78%.

In 2012 the average growth between the 2nd and 3rd years is 80%, whereas in 2011 it was 59%.

In part this is due to more clients developing websites and significantly increasing their online reach.

Of the 24 companies with reach data from traditional media that were MDIF clients in both 2011 and 2012:

» **13 saw an increase in reach**

– the most substantial being two newspapers and a TV station in Russia, as well as a newspaper in Africa. All of these had increases above 200%.

» **11 saw a decrease in reach**

– the sharpest falls were experienced by a radio station in Serbia and a newspaper in Bolivia, both of which had decreases above 60%.

Of the 22 companies with reach data from **digital media** that were MDIF clients in both 2011 and 2012:

» **17 saw an increase in reach**

» **5 saw a decrease in reach**

– the decrease in reach was often due to a temporary or topic-specific website (such as a dedicated election site) being closed down. Africa specifically only had three clients with reported digital reach – two of them showed a decrease which was partly due to a change in their reporting to Google Analytics which allowed us to obtain very specific numbers for unique visitors, and partly due to changes in their websites last year.

⁶ Removing the max and mins, we get 45% overall, 31% for traditional media and 33% for digital

⁷ This number includes both past and present clients who were with MDIF for at least five years, and with accurate reach numbers

Highlights

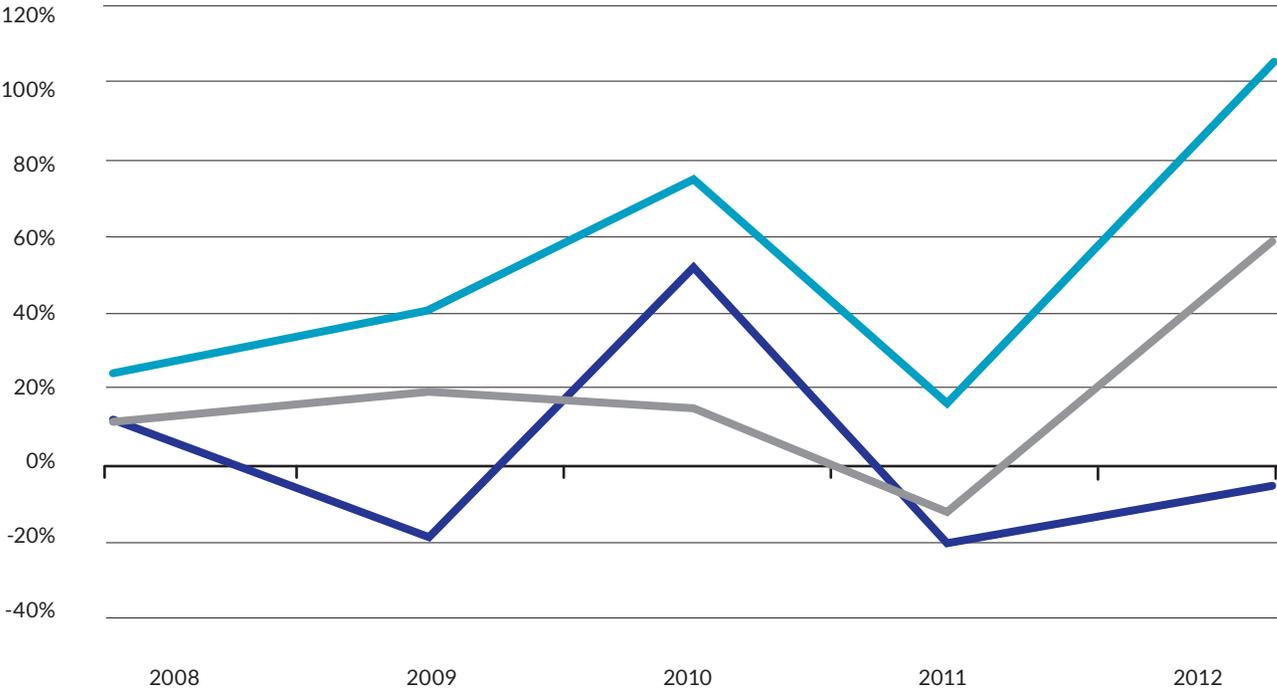
Looking at reach by media type for our traditional media clients, we see a large increase in reach for 4 TV clients, mainly due to a TV station in Russia whose reach grew by more than 200%, a slight decrease in reach for 5 radio clients, although the decrease is less than it was in 2011, and an increase in reach for our 15 print clients.

- » From 2011 to 2012, MDIF clients increased their reach by an average of **52%** for traditional media and **82%** for digital
- » After 5 years with MDIF, clients increased their reach by an average of **111%**
- » From the first to the second year of working with MDIF, clients increased reach by an average of **29%**

5 Reach—Readers, Listeners & Viewers

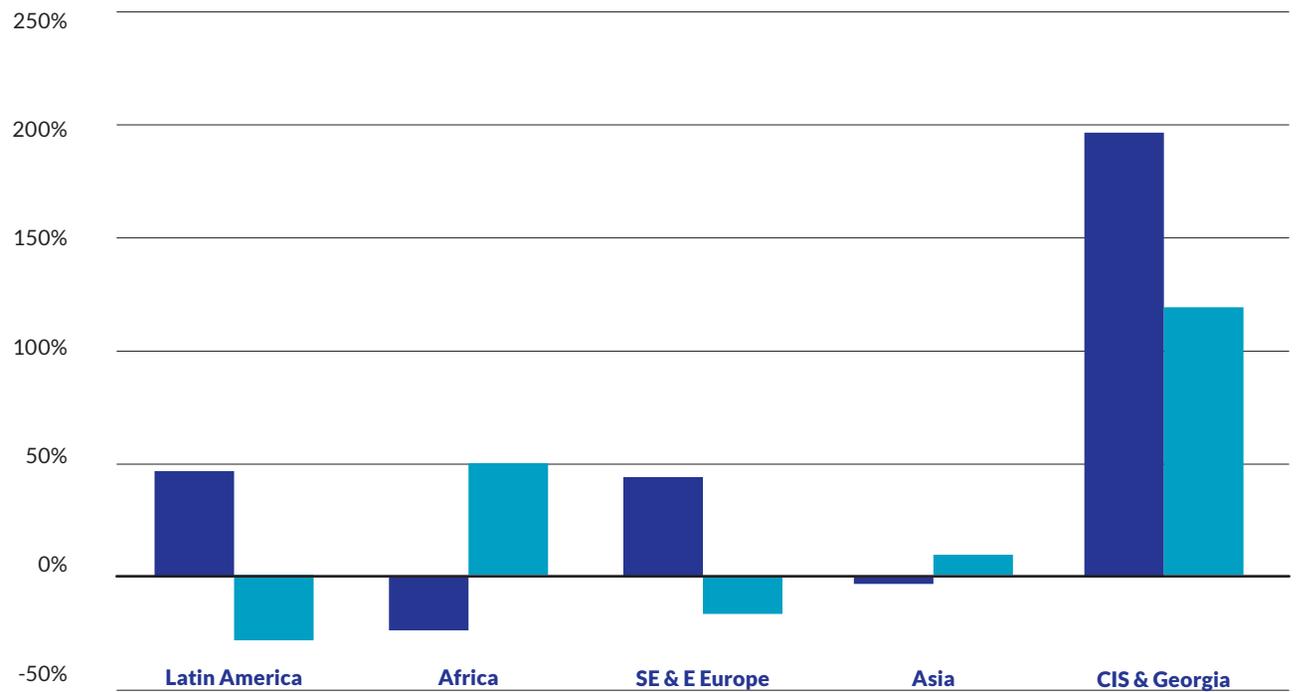
Change in reach by media type

- Print
- Radio
- TV



Change in reach by region from 2011-2012

■ Digital
■ Traditional



5 Reach—Readers, Listeners & Viewers

5.2 Portfolio Reach Impact

55 million people reached through traditional media
10 million through digital media

In 2012, **more than 65 million people** in developing democracies received their news from MDIF clients, an increase of more than 20 million from the previous year. Out of this total, 55 million people received information through traditional media (a rise of 11%), and 10 million through digital media (a rise of 29%). These numbers will include some overlap, as many digital users will also be traditional media consumers. However, there is currently no reliable way to determine how many people consume both.

As in previous years, client reach performed much more strongly than sales. This was due both to the growth of many clients in traditional media, as well as the massive increase in reach experienced by independent media organizations which are embracing the digital transition. In addition, more of our clients are measuring their online reach

through web analytics tools such as Google Analytics. A key part of our support in recent years has been to help our clients to develop a digital presence that will improve their digital reach in the most appropriate way for their business.

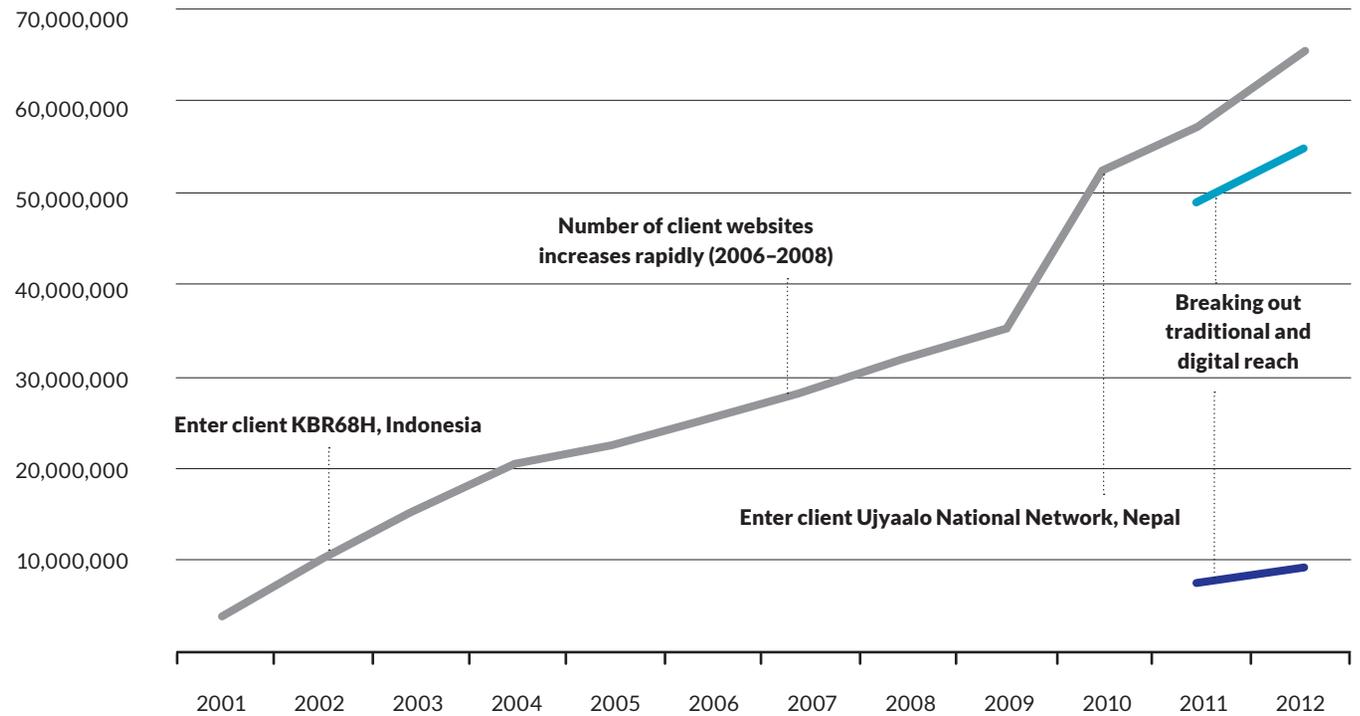
For every \$10,000 MDIF invested in 2012, our clients provided independent news to 12,971 people. Over the past decade, MDIF's average reach leverage was 7,755 people, with a range of 2,945 to 12,971 this year.

As with sales, reach leverage numbers are impacted by the size of clients making up our portfolio. Since our overall reach number was significantly higher this year because many of our clients increased reach dramatically, our overall leverage is much higher.

12,971 Audience reached for every \$10,000 invested by MDIF

**Total annual client reach
(annotated with major events)**

- Overall
- Digital
- Traditional



6 Spotlight: Pioneering a new way to measure social impact

6.1 El Periódico, Guatemala

Reporting on the financial sustainability of our news business clients is a good measure of the direct impact of our work. However, our ultimate mission is to support the work that independent media businesses do – providing news and information that is vital to the existence of free and open societies. Developing a reliable, replicable way to measure the impact of news outlets on society is a long-standing challenge for MDIF and the media development sector as a whole.

In 2012, we asked a consultant team composed of Masters students from Columbia University's School of International and Public Affairs (SIPA) in New York to create and pilot an assessment toolkit to measure the impact of independent media organizations on their communities, starting with El Periódico, a long-term print client in Guatemala.

The team surveyed journalists, readers and civil society to measure the newspaper's impact. They found that El Periódico:

- » is a **recognized source of quality investigative journalism** in urban Guatemala;
- » has a **positive impact on the community**;
- » contributes towards **promoting access to and nurturing democratic institutions**; and
- » implements the **best journalistic practices**, including building relationships and nurturing a culture of independent and unbiased sources, and disseminating relevant information on key public issues, such as security, organized crime and corruption.

Civil society respondents, including members from organizations representing indigenous groups, business, religious organizations, and international community/organizations, were

asked to rate El Periódico, all independent media, and all media in Guatemala as a whole on a range of statements using "Strongly Disagree" to "Strongly Agree." El Periódico was ranked the highest in all categories:

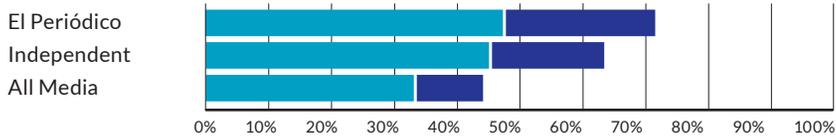
- » 70% of respondents agreed or strongly agreed with statements about El Periódico's positive impact on its community, as compared to 62% for independent media in general and 43% for all media.
- » When asked if El Periódico does a good job of investigative reporting, 91% of respondents agreed, with 37% strongly agreeing. This compared to 72% of respondents agreeing when rating independent media, while only 35% of people agreed when asked about all media.
- » When asked whether or not El Periódico uncovers corruption and fraud, 87% of respondents agreed and 43% of people

strongly agreed. Only 26% of people strongly agreed for independent media and 9% for all media.

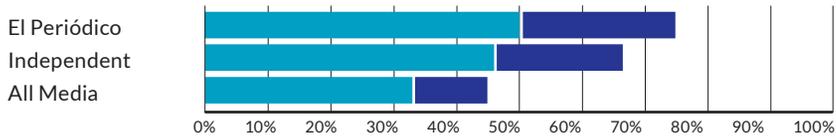
» Respondents were asked about El Periódico's reporting on a variety of topics vital to promoting strong communities. A total of 92% of respondents agreed that they report on organized crime, with 45% strongly agreeing; 86% of respondents agreed that they report on issues of democracy and governance, with 47% strongly agreeing; and 94% agreed that they report on the economy with 31% strongly agreeing.

■ Agreed
 ■ Strongly Agreed

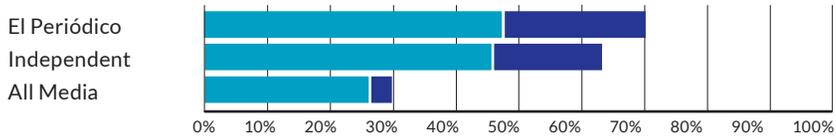
Overall positive impact on society * This chart is an average of responses to all questions.



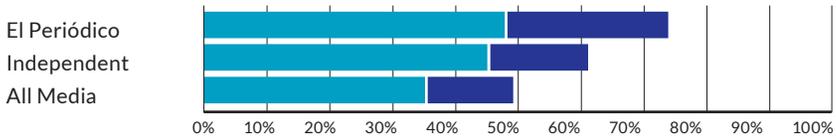
Disseminating relevant information



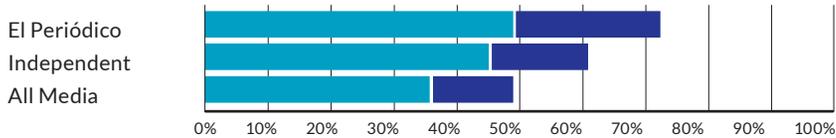
Building relationships and nurturing a culture of independent sources



Promoting access to/use of democratic institutions



Promoting spaces for free, open dialogs



6.2 The Impact Toolkit

The team conducted extensive research on how other media development organizations seek to measure impact. It was clear that while there are existing methodologies to assess the general state of the media environment, for example in terms of a country's legal framework or attacks on journalists, there was a lack of approaches to assess the specific impact of individual media outlets on their community. The team drew on the most effective and relevant approaches used by other organizations to create an entirely new Media Impact Toolkit.

The Media Impact Toolkit uses in-person interviews and online surveys to evaluate the extent to which a news outlet:

- » promotes government transparency and accountability (to reduce corruption)
- » strengthens democratic institutions

A wide range of civil society members, from

those in business to those representing minorities, are asked to complete an online survey. Certain respondents are then interviewed in person so the assessors can gain a deeper understanding of their views. Those results are then triangulated with data from employees of the client organization and subscribers to the client's news.

The toolkit is designed to be a low-cost solution to measure impact in diverse organizations, from small to large, in different political environments and cultural contexts, and in different types of media.

There are some known challenges, one of course being that there will be bias in who replies to the survey. However, with these limitations in mind, MDIF looks forward to refining this methodology in the upcoming year.

7 Financial Viability

Financial Viability

To monitor risk for our clients, we maintain an official risk-rating system, assessed by auditors. To quantify impact on long-term stability, in this Impact Dashboard we use seven of these risk-rating factors⁹. The ratings range from one to nine, with nine being the riskiest.

For the last few years, clients' risk ratings have not only reflected the overall challenges of the global financial crisis and its continuing fall-out – reduced advertising revenue, increased printing costs and extreme currency fluctuations – but also the specific challenges to the media industry because of the exponential growth of the internet.

Overall, MDIF clients' risk dropped slightly from 2011 to 2012. In 2012, we wrote off the debt of one of our clients which previously had a risk rating of 9, which reduced our

average risk slightly. Other than that, most of our clients maintained roughly the same level of risk.

While we would always expect some clients to have risk ratings above the “safe” level of 5 when they take on new projects, the economic downturn and rapidly changing media environment has seen a shift with more clients having higher risk ratings than before the onset of the financial crisis in 2008.

- » In 2007, **25%** of clients had a risk rating higher than 5, and only one company had a rating above 6.
- » In 2012, **57%** of 36 clients had a rating higher than 5, with 7 above 6.

However, since the beginning of the financial crisis, the average risk rating has remained remarkably stable, with **nearly half of our**

clients continuing to maintain a risk rating below 5. It is a testament to the companies we work with that so many have been able to maintain such a manageable level of risk and that we have written off only one investment in 2012. We believe that because most had managed their financial risk well prior to the crisis, they were better placed to weather the storm than many of their competitors. However, since 2009 we see a modest decrease in risk which might be partly due to the improving economic situation in some countries we work in since the crisis.

As in 2011, the risk values were fairly evenly spread across all the regions in which MDIF works.

⁹ The ratings measure the state of risk at a single point in time (the end of 2012 in this case)

Components of financial viability:

1. Earnings/operating cash flow trends
2. Asset/liability value
3. Financial flexibility/debt capacity
4. Industry/industry segment
5. Position within industry
6. Management and controls
7. Financial reporting

Highlights

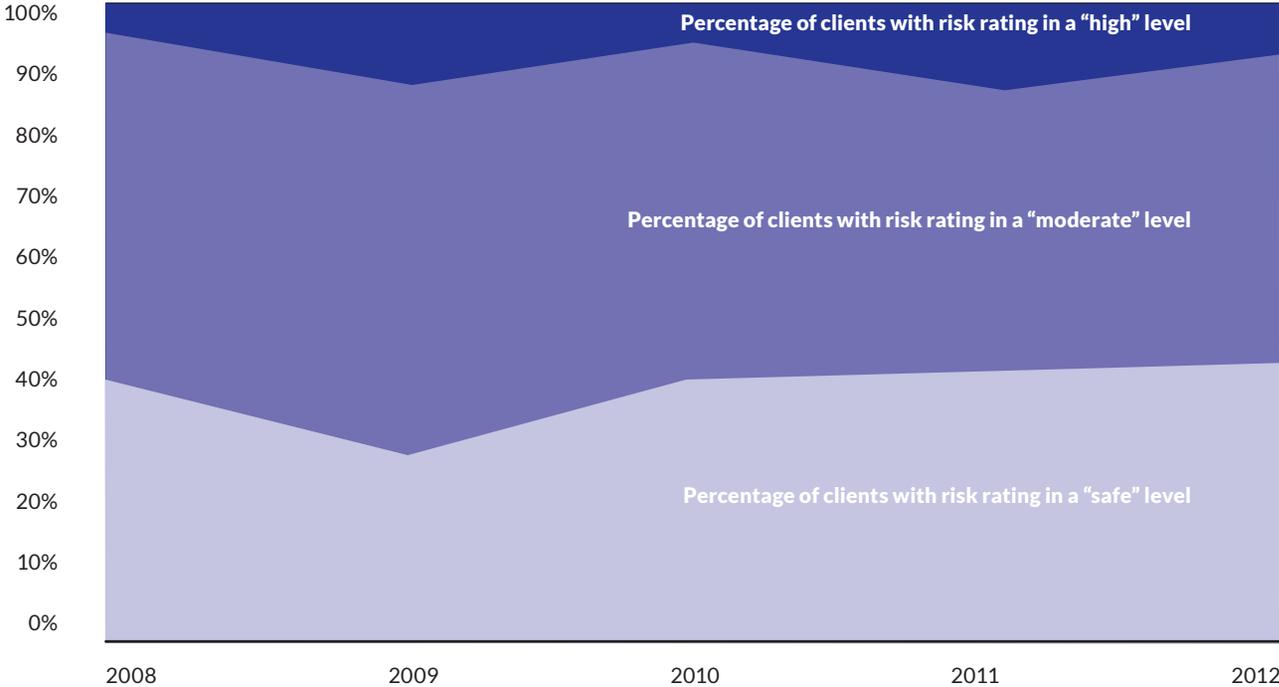
Average risk rating by year
(with max and mins)



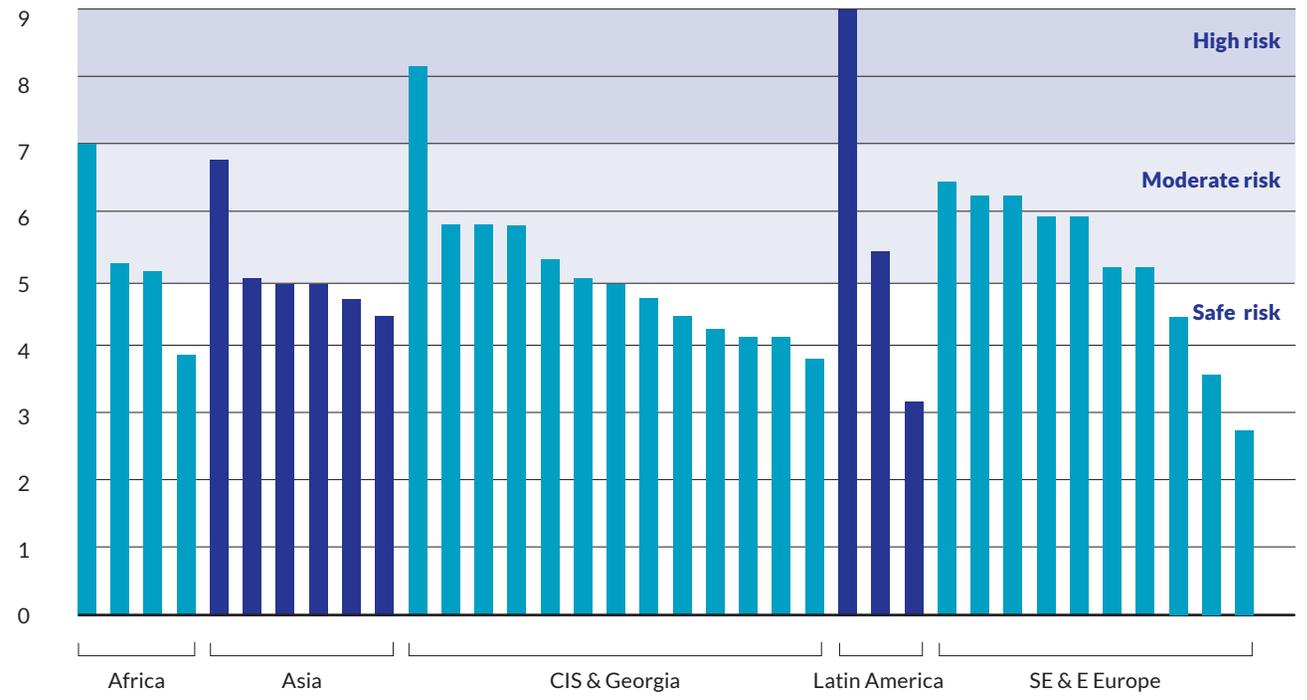
- » In 2012, **43%** of MDIF clients had risk-ratings below the 'safe' level of 5. **8%**, 3 clients were above the 'high' risk level of 7
- » The percentage of 'safe' clients remains the same as in 2011, and due to one write-off, the number of high-risk clients has decreased
- » Overall, 2012's risk ratings remain largely unchanged since 2011 and no particular region has seen a major increase or decrease

7 Financial Viability

Breakdown of MDIF clients by risk-rated levels



Risk ratings by client by region for 2012



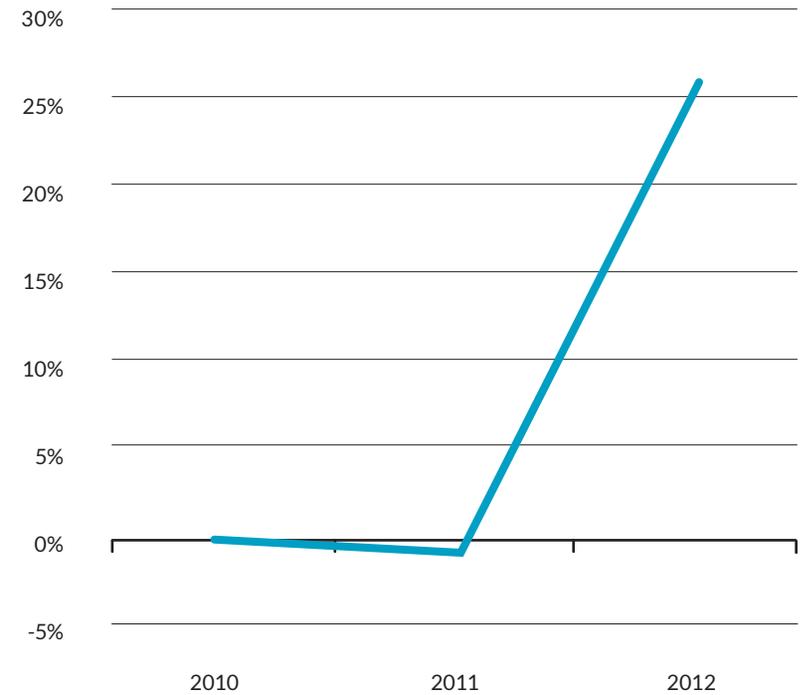
8 Employment

Employment

For 35 MDIF clients, the total number of employees at the end of 2012 was 3,681, of whom 1,352 were journalists.

On average, for the 26 clients for whom we had staffing data in both 2011 and 2012, the number of employees **increased by 26%**. The average number of employees, decreased from 121 last year to 105 this year, as we took on a number of small clients. In 2012 several smaller clients increased their staffing dramatically - by over 200% - which created the high average change in staffing despite the overall drop in the average staffing for the entire portfolio. When removing the outliers - the two maximum and minimum values - we end up with an average increase in staffing of 16%.

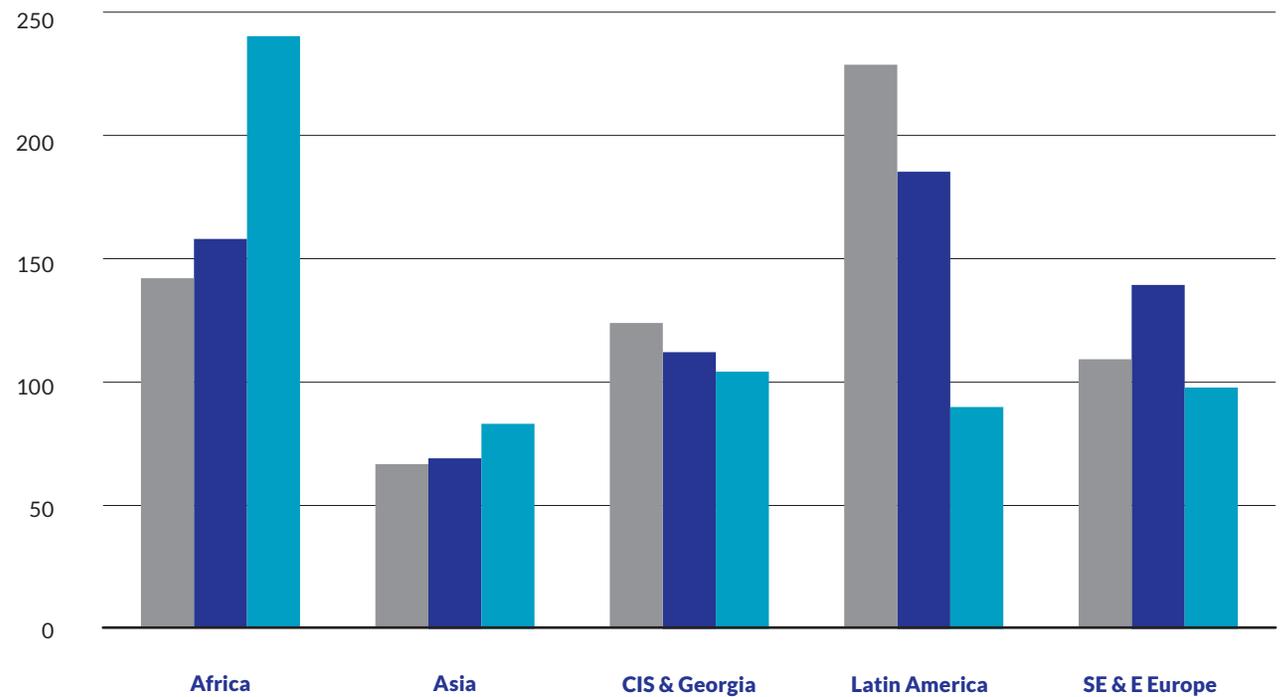
Average change in number of employees



3,681 People employed by MDIF clients, including 1,352 journalists

Average employees by region by year

■ 2010
■ 2011
■ 2012



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